THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

TO: Audits/Budget and Finance Committee

FROM: Valerie Grey

SUBJECT: Special Education Fiscal Oversight

DATE: September 6, 2012

AUTHORIZATION(S):

SUMMARY

Issues for Discussion

The Office of the State Comptroller (OSC) recently issued a number of preschool special education audits that included troubling findings ranging from inappropriate spending to fraudulent activity resulting in arrests. Actions that could be taken to increase oversight will be discussed.

Reason(s) for Consideration

Update on Activities

Proposed Handling

Discussion and Guidance

Procedural History

The information is provided to assist the Committee in carrying out its oversight responsibilities.

Background Information

OSC Preschool and School-Age Special Education Audit Initiative

On June 25, 2012, Comptroller DiNapoli announced OSC is conducting a series of financial audits of preschool and school-age special education programs which will include at least 18 audits. These detailed and comprehensive OSC audits of special education contractors will determine whether the costs submitted by them were reasonable, justified, properly allocated, adequately documented and allowed under SED guidelines. This widespread probe into the operations of special education contractors was prompted after irregularities arose in financial disclosure reports.

SED has supported the Comptroller's audit efforts by making specific referrals for potential audits, providing data and input on risk based audit selection, explaining rate setting rules, giving feedback on preliminary audit findings, establishing audit rates to recoup over payments to providers and delivering two one-day training sessions to OSC auditors in New York City and Albany on the special education process and programs. OSC has also initiated a training program for special education providers to detect and combat fraud and encourage the reporting of suspected wrongdoing.

Since 2007, there have been a total of 19 OSC and SED audits issued. These audits identified a total of 99 findings in a variety of categories. In the majority of cases, the findings reflected errors or mistakes made by providers in controls or expenses claimed.

However, recently OSC audit reports have included some troubling findings. Audit results for the following providers have been released: Important Steps (Bronx), Special Education Associates (Brooklyn), Capital District Beginnings (Troy), Bilingual SEIT (Queens), and IncludED Educational Services (Long Island). Some of the audit findings include: providers billing for no-show jobs, improper staff bonuses, inflated salaries, unsupported salary documentation for relatives of executive directs, fabricated invoices for non-allowable expenses for relatives, landscaping services, flooring for a vacation home, improper rental expenses and lease payments, children's bedroom furniture, cosmetics, student loan payments and tuition costs. These findings are outlined in detail in Attachment 1. OSC made referrals to the proper authorities and at least 4 providers have already been arrested.

SED will be taking action to revoke approval of those schools where there were OSC audit findings of financial deficiencies such that the school's financial controls and handling of its finances have allowed misappropriation or misuse of public funds.

While most preschool special education providers provide quality special education services with fiscal integrity, the findings of OSC audits demonstrate that more systemic actions should be considered.

Background on Special Education Programs, Services and Costs

Committees on Preschool Special Education (CPSE) and Committees on Special Education (CSE) determine the special education services needed for students with disabilities. The determination of these services is made in consideration of the results of an individual evaluation, the student's strengths and needs, and concerns of the parent. Placement of the student must be in the least restrictive environment, which means the placement must provide the special education services needed by the student in a setting with non-disabled peers to the maximum extent possible and be as close as possible to the student's home. SED maintains a list of approved special education programs and oversees an application and approval process.

<u>Preschool (ages 3-4):</u>

- New York's history of providing services for preschool children with disabilities predated federal Individuals with Disabilities Education Act (IDEA) mandates for a free appropriate public education for children with disabilities ages three to five in federal law. In 1989, legislative changes were enacted to comply with IDEA. Public school districts are responsible for recommendations for services to preschool students with disabilities but the fiscal responsibility for such services is with the State and counties.

- The CPSE may recommend students receive services ranging from related services only or related service in conjunction with Special Education Itinerant Teacher (SEIT) Services to self contained special classes. The most frequently recommended related services include speech, occupational therapy, physical therapy, and counseling.

- Preschool special education costs vary significantly depending on the services provided and the needs of children. More intensive services in special class center-based programs tend to have higher costs and some children need limited related services which cost less. There are currently approximately 74,858[i] preschool students with disabilities with an average cost per student of approximately $17,000.

<u>School-Age (ages 5 – 21):</u>

- The CSE may recommend students receive services ranging from related services only to placement at private special education schools either on a day or residential basis. In 2010, only approximately 6.4 percent of students, ages 6-21, were served in separate schools, residential placements or homebound or hospital placements.

- School age special education costs vary significantly depending on the services provided and the needs of children. There are currently around 400,000 school age students with disabilities receiving instructional services at an average cost per student of approximately $27,000.[ii] New York's costs for special education spending (both pre-school and school age) is ranked near the top (4th highest) and exceeds the national average[iii]. Reports have shown that New York ranks third in the nation with an identification rate of 9.36% of 3-5 years olds and eleventh in the nation with an identification rate of 9.54% of 6-21 year olds, as a percentage of population.[iv]

Rate Setting Background

SED establishes special education tuition rates for approved programs educating students with disabilities ages 3 to 21 years old. Approved program providers may be private school providers, special act school districts, state supported programs, or public school and BOCES summer school age and preschool programs. For preschool special education, counties and New York City pay the initial cost of preschool special education, including transportation for preschool students with disabilities, and receive reimbursement from the State at a rate of 59.5% on a lag basis. For school age special education, generally school districts are reimbursed by the State for a percentage of the tuition the following year depending on a formula which considers the school district's wealth factor among other variables.

The rate setting system is cost-based and rates are set consistent with section 200.9 of SED regulations. It involves setting current year prospective rates as well as reconciling prior year rates. Reconciled rates reflect review of provider Consolidated Fiscal Reports (CFRs) which are certified by the Executive Director of the provider and an independent Certified Public Accountant. SED typically conducts a desk audit and makes adjustments to the rates based on allowable costs described in the Reimbursable Cost Manual (RCM). For the most recent rate year, SED has disallowed $1.5 million in claimed costs reported in SED programs and $12.5 million in agency administrative costs that are distributed across all programs operated by an institution.

The rate setting process also limits executive compensation to the comparable regional median average salary. If providers choose to pay more than this salary the rates set by SED exclude amounts above the median.

Every year, SED makes recommendations to the Division of Budget on rate setting methodology and DOB makes final determinations on methodology including any adjustments. Special education rates for these programs have been frozen (no inflationary adjustments) since 2008-09.

In 2011-12, the rate setting unit set approximately 2,719 prospective and reconciliation rates for special education programs. The rate setting unit had 17 staff. In the past 8 years, the number of programs per accountant has doubled due primarily to loss in staff. SED recently hired two accountants and is awaiting approval to hire additional staff in rate setting and other areas of special education.

SED offers regular training. SED encourages Executive Directors, Comptrollers, CFOs, COOs, and providers' CPAs to attend the following trainings: 1:1 training about reporting and reimbursement to any applicant or approved special education provider who requests it, formalized CFR training twice a year (Spring and Fall) to private providers and BOCES, and CFR software training. There is also a public power point training available on SED's website. In addition, new applicants are encouraged to meet with SED's Rate Setting Unit staff before, during or after commencing program. Providers are always encouraged to contact SED directly if they have questions regarding allowable and non-allowable expenses.

Provider Composition

Most approved preschool special education programs are, and have historically been, operated by private providers rather than public school districts or BOCES (Board of Cooperative Educational Services). Most school age students receive their education services in schools of public school districts.

Provider Type	Public or Private	Not-for Profit or For-Profit	Services Provided	Number of Providers	Number of Children Served (est)
School Districts	Public	NFP	School Age	684	335,000
BOCES	Public	NFP	School Age	37	18,000
853 Schools	Private	NFP	Special Class and related services	119	13,866
Special Act Districts	Public	NFP	Special Class and related services	10	2,661
4201 Schools	Private	NFP	Special class and related services	11	1,484
State Operated Schools	Public	NFP	Special class and related services	2	116
4410 SEIT Providers of SEIT and Related Service Providers	Private	NFP and FP	Preschool	362**	11,447
4410 Special Class or Special Class in an Integrated Setting	Public and private	NFP and FP	Preschool	289**	20,580

** Some providers are approved for both SEIT and Special Class programs.

School District Accountability

In 2005, State legislation was adopted to enhance accountability of school districts in response to the theft of more than $11 million of public funds by senior administrators at the Roslyn Union Free School district. Chapters 263 and 267 of the Laws of 2005 (A6082B – DiNapoli/S5050ASaland) provided for a five point plan to improve school district oversight and establish systems and processes that provide transparency and accountability. As such, the provisions of the Act were designed to strengthen school district financial accountability, require adoption of additional fraud prevention, expand deterrence mechanisms, and increase awareness and knowledge among school board members. The law also provided funding for the OSC to audit every school district.

This reform legislation might serve as a model to address the issues arising in special education. However, with respect to special education, this model would need to be adjusted in order to apply it to providers other than school districts and special act school districts. How these concepts could be applied to private providers is a challenge, since private providers may be organized in different ways, under different laws with different governance structures. Many providers are corporations governed by a board of directors or board of trustees. Some are non-profit corporations, either education corporations or corporations formed under the Not-for-Profit Corporation Law. Others are for-profit corporations formed under the Business Corporation Law. Some other providers are for-profit Limited Liability Companies or Professional Limited Liability Companies, entities that have no corporate board per se, with responsibility for management of the entity vested in members or managers or a combination thereof. Education law S.4410 allows preschool providers to form as partnerships, where governance is through the parties.

Summary of School Accountability Legislation

Component	Description	Special Education Applicability
Board Training	Board members must complete, within the first year of term, a minimum of 6 hours of training on the financial oversight, accountability and fiduciary responsibilities of a school board member. SED approved training materials. Cost for training is considered an approved operating expense.	A similar training requirement could be imposed on individuals responsible for governance of private providers, but would need to be adapted to providers with different organizational structures.
Internal audit	School districts must establish an internal audit function and those performing it to report directly to Board. Exceptions made for very small districts. The function must include development of a risk assessment of district operations, an annual review of such assessments, and preparation of reports which analyze findings and recommend changes.	A similar requirement could be imposed, but would need to be adapted to cover independent proprietorships/businesses without a governing board.

Component	Description	Special Education Applicability
External audit	Require an external auditor to present directly to the board the report of the annual audit, which was already required in present law. Requires all school districts, except NYC, to utilize a competitive RFP process at least once every 5 years for hiring an external auditor. Requires districts to prepare a corrective action plan in response to any findings any final report issued by the State Comptroller.	The requirement of direct report to Board could be applied to providers organized as corporations, but would need to be adapted to cover independent proprietorships/businesses without a governing board.
Audit Committees	Every school board must establish an audit committee to oversee and report to the trustees or board on the annual audit of the district records. Exceptions made for very small districts. The audit committee's responsibilities include: • Providing recommendations regarding the appointment of the external auditor • Meet with external auditor prior to the start of the audit • Review and discuss the auditor's risk assessment • Review and receive the draft audit report and draft management letter • Recommend acceptance of the annual audit report • Review all corrective action plans and assist the BOE in implementation of such plans Assist in the oversight of the internal audit function.	This could be applied to providers organized as corporations, since they have governing boards. Adoption to cover independent proprietorships/businesses without governing boards would be difficult.
Claims Auditor	Require school board to audit and approve each claim or appoint a claims auditor (exempt class) to perform this function on its behalf that reports directly to the board. This provision strengthens the claims audit function within each school district. BOCES aid is payable on costs associated with claims auditing services. Claims Auditor reports directly to the board of education. Claims Auditor is under the supervision of Superintendent of Schools.	This could be applied to providers organized as corporations, since they have governing boards. Some variation would need to be adapted to cover independent proprietorships/businesses without governing boards.
OSC Audits	Funding of $2.9 million provided for OSC to hire 89 auditors to audit every school district.	Unclear what resources might be necessary.

Actions Already Being taken by SED

SED will be taking action to revoke approval of those schools where there were OSC audit findings of financial deficiencies such that the school's financial controls and handling of its finances have allowed misappropriation or misuse of public funds.

The Annual Financial Reports and CFRs used for rates were filed and certified by CPAs. SED is concerned that some of the issues evidenced in OSC audits should have been identified, particularly a lack of internal controls ("no shows" employees, etc). Referrals will be made to the Office of Professions to review if disciplinary actions are warranted.

In March, SED undertook a thorough review and analysis of staffing needs and requested additional positions that would be funded under IDEA. This review examined staffing level changes, complaint volume, provider site visits, preschool special education program oversight, etc. and concluded that a significant number of staff needed to be added to perform baseline program oversight duties. In addition, resources are necessary to support the creation of a special preschool special education unit, increased regional office staffing, increased rate setting staffing, and new staff in the Executive Deputy's office to coordinate and manage special education fiscal, programmatic, audit/monitoring and legislative work. Some of these positions have been approved and others are awaiting approval.

Other Issues for Consideration and Actions Underway

There are a number of improvements that could be made to the rate setting methodology. An internal workgroup was set up in March and has identified 5 key areas that will be further researched based on additional input from providers. If additional resources are provided, the workgroup expects to make specific recommendations in December.

In addition, SED has proposed a targeted cost screen increase for direct care costs for school age providers. Lastly, there are a number of school age providers that are in fiscal distress, including special act districts. SED is developing tools to monitor provider fiscal situations; however, there is a significant lag in fiscal reporting. Additional staff has been requested for the Executive Deputy Commissioner office and Rate Setting to assist in these efforts.

Classification rates in New York should be examined and additional work undertaken to ensure students are placed in least restrictive settings and approaches like response to intervention (RTI) are fully implemented and settings further integrated. The system might benefit from independent evaluations where conflicts between evaluating children and providing the services are avoided.

Recommendations

Direct SED to further evaluate and recommend specific requirements that could be applied to special education providers using the fiscal oversight and accountability provisions in the 2005 School District Oversight legislation (board fiscal training, internal audit, external audit, audit committees, claims auditor, OSC audits of every district) as a potential model and report back to the Board within the next two months.

Direct SED to review and identify changes that strengthen the current approval and renewal process for special education providers. Staff analysis will include a comparison of the approval/renewal requirements for providers for other state agencies (DOH, OCFS, OPWDD, OMH, OASAS), the requirements used for SED programs like charter schools, higher education institutions, proprietary schools, and others; and, requirements used by NYS OSC and NYC Comptroller's office for vendor responsibility determinations. Consider implementing a short-term moratorium on approval of new providers while the enhanced process is adopted and implemented unless there is a compelling case that students would be unable to obtain necessary services from existing providers.

Direct SED to review and evaluate the certification that is signed by the Executive Director and CPA when CFRs are submitted and consider strengthening it. Since providers use a consolidated CFR that is used for multiple state agencies, partner state agencies (OPWDD, OMH, OASAS) would be consulted.

Direct SED to review, evaluate and recommend additional training requirements (including fraud prevention and detection) and resources for special education providers including supplemental information like "frequently asked questions" on rate setting and the reimbursable cost manual.

Direct SED to identify opportunities to publicly report relevant data and information on special education provider information and evaluate the costs and benefits of an annual report. Staff would also further explore ways to obtain and analyze more timely service and expenditure data.

Direct SED to research and review existing processes for accepting allegations of inappropriate provider actions, including volume, follow-up actions and agency capacity in addition to appropriate protections for the individual making the allegation.

Timetable for Implementation

Based on guidance from the Board and further research, SED will present specific recommendations for Board consideration in the October 2012 meeting.

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[i] This is the total number of students served for an entire school year, and not a snapshot of students served at a particular point in time.

[ii] This represents instructional services only, does not include maintenance costs for residential facilities.

iii CBC report on special education enrollment and cost trends http://www.cbcny.org/content/interactive-charts-growth-special-education-spending-and-enrollment-new-york-2000-01 Thomas Fordam Institute report on special education trends http://www.edexcellencemedia.net/publications/2011/20110525_ShiftingTrendsinSpecialEducation/ShiftingTrendsinSpecialEducation.pdf

[iv] US Department of Education, Office of Special Education Programs, Data Analysis System.

Attachment 1

Office of the State Comptroller		
Audit	**Major Finding(s)**	**Recommendation/Response**
State Education Department and Bilingual SEIT & Preschool, Inc Bilingual SEIT & Preschool, Inc - Compliance with the Reimbursable Cost Manual 2011-S-13	**$1,474,924 adjustment** A total of $1,474,924 was disallowed in costs reported by Bilingual SEIT & Preschool, Inc. (Bilingual). Findings have been referred to the Queens County District Attorney's Office for review. The disallowances included $471,050 in personal service costs. These costs included $233,368 paid to 26 employees whose time and attendance could not be substantiated. They also included a portion of the salary paid to Bilingual's Assistant Executive Director who is the former wife of its Executive Director, and was paid $369,081 for fiscal years 2007-08 and 2008-09. It was determined that she actually performed the services of a payroll specialist rather than those of the Assistant Executive Director. Therefore, her salary was reduced by $107,380. Other disallowances included $795,368 in other-than-personal-service costs, including $327,033 in unrelated and inadequately documented expenses, $5,567 for children's bedroom furniture, and $887 for cosmetics. Inadequately-documented and/or inappropriate contracted direct care costs amounted to $208,506. In addition, Bilingual officials may have deprived federal, State, and local taxing authorities of a significant amount of tax revenues by treating top officials of the school, as well as certain other staff, as independent contractors rather than as employees.	**5 recommendations** It is recommended that the Department recover all reimbursements made to Bilingual for inappropriate and/or unsupported expenses included in Bilingual's Consolidated Fiscal Reports. The Department should also consider recouping payments made for personal items directly from responsible Bilingual officials. The Department should also offer training to Bilingual officials on reimbursement eligibility and ethics. It is also recommended that Bilingual ensure CFRs include only appropriate and allowable reimbursable expenses, and that any and all persons who work directly under the supervision of Bilingual officials are treated as employees and not independent contractors. *Both the Department and Bilingual agreed with the recommendations and indicated that they will implement corrective action.*

Office of the State Comptroller		
Audit	**Major Finding(s)**	**Recommendation/Response**
State Education Department and Capital District Beginnings Inc Capital District Beginnings Inc - Compliance with the Reimbursable Cost Manual 2011-S-1	**$831,244 adjustment** A total of $831,244 in personal service and other than personal service costs was disallowed for the two fiscal years ended June 30, 2010 because they were unnecessary, unreasonable, unallowable, or undocumented; or were incurred for the personal benefit of the officials at Capital District Beginnings (Beginnings). The $462,748 in disallowed personal service costs included $240,041 in inappropriate salary costs to Beginnings owner/executive directors, $121,158 in salary expenses related to certain undisclosed less-than-arms-length (LTAL) transactions, and $101,549 in administrative and employee bonuses that were not merit based, as required. The $368,496 in disallowed other than personal service costs include the costs related to other undisclosed LTAL relationship transactions, an unapproved site, undocumented vehicle and travel expenses, and the charges for hotel rooms used by the out-of-state owner/executive director when she traveled to Troy from her home in the southern part of the State. Beginnings officials advised that conferences would take place in these hotel rooms. However, appropriate office space was always available at Beginnings' administrative sites.	**4 recommendations** It is recommended that the Department review the exceptions identified by the audit and make the necessary adjustments to Beginnings' tuition reimbursement rates. It is also recommended that Beginnings ensure that the reporting of reimbursable expenses complies with Department requirements. *Department officials agreed with the recommendations and indicated the actions they will take to recover the identified overpayments.* *In contrast, Beginnings officials largely disagreed with the findings.*

Office of the State Comptroller		
Audit	**Major Finding(s)**	**Recommendation/Response**
State Education Department and Important Steps, Inc. Important Steps, Inc. - Compliance With the Reimbursable Cost Manual 2010-S-32	**$244,874 adjustment** Important Steps, Inc. (Important Steps), located in the Bronx, provides special education itinerant teacher (SEIT) and related services to about 276 children ages three through five years. The New York City Department of Education (DoE) pays Important Steps using reimbursement rates established by the Department. The rates are based on claimed expenses that Important Steps submits in its annual consolidated fiscal report (CFR). During fiscal year 2007-08, the SEIT program at Important Steps had 69 employees and received $5.7 million in State support. Claimed costs were identified in the amount of $244,874 that should be disallowed. These costs were either unnecessary, unreasonable, unallowable, or undocumented, and some were incurred for the personal benefit of officials at Important Steps. Workers compensation payments in the amount of $65,541 on behalf of independent contractors and an additional $91,330 on behalf of certain employees who were paid for work they performed as independent contractors. Corporate income tax expenses in the amount of $38,827 were charged to the SEIT program. Vehicle-related costs in the amount of $19,050. Important Steps officials did not maintain usage logs to document the way these vehicles were used, as required. Depreciation expenses in the amount of $12,002 in connection with renovations and major repairs made to the Important Steps office had not been pre-approved by SED, as required. An additional $3,855 in office renovations had not been competitively bid, as required. There was no supporting documentation for $11,107 in purchases. Items were purchased in the amount of $3,162 that was installed at the personal residence of Important Steps' Executive Director.	**2 recommendations** It is recommended that the Department review the exceptions identified in the audit and determine necessary adjustments to Important Steps' tuition reimbursement rates. It is also recommended that Important Steps ensure that the reporting of reimbursable expenses complies with Department requirements. *SED officials agreed with the recommendation and indicated the actions they will take to recover the identified overpayments.* *However, Important Steps, through its attorneys, while agreeing with certain findings, asserts that the report contains factual inaccuracies and believes that the examiners misapplied or misconstrued certain principles outlined in the Manual.*

Office of the State Comptroller		
Audit	**Major Finding(s)**	**Recommendation/Response**
State Education Department and IncludED Educational Services, Inc. IncludED Educational Services, Inc. - Compliance with the Reimbursable Cost Manual 2010-S-59	**$2,634,511 adjustment** IncludED Educational Services (IncludED), located in Cedarhurst, NY, provides special education itinerant teacher (SEIT) and integrated special class services to disabled preschool children. The New York City Education Department (DoE) and other localities pay tuition and fees to IncludED using rates set by the Department. The Department sets these rates using financial information that IncludED presents in it's annual CFRs filed with the Department. During fiscal years 2007-08 and 2008-09, IncludED claimed and received approximately $12.6 million in State support. Costs claimed by IncludED in the amount of $2,634,511 were disallowed because they were not properly calculated, were inadequately documented, or were otherwise unallowable per the Manual. The disallowances included $1,864,843 in personal service costs and $769,668 in other than personal service costs (OTPS). IncludED could not provide documentation to adequately support salary and wage costs for 50 employees totaling $1,540,082. Of this amount, $856,827 was paid to 11 relatives of the Executive Director - who routinely deposited the paychecks (totaling $115,196) of his two sons into his own personal bank account. When fringe benefits (totaling $324,761) were allocated, the disallowance for personal services totaled $1,864,843. Supporting documentation was either unavailable or insufficient for several OTPS costs. For example, IncludED was unable to provide invoices or receipts for $156,158 in claimed office supplies and advertising expenses. In addition, there was no documentation supporting the methodology for and calculation of depreciation expenses totaling $59,553.	**1 recommendation** **I**t is recommended that the exceptions identified in the audit be reviewed and all appropriate actions to recover the disallowed expenses are taken. *The Department agreed with the recommendation and indicated that they will implement corrective action.* *IncludED officials did not respond to the draft report.*

Office of the State Comptroller		
Audit	**Major Finding(s)**	**Recommendation/Response**
	Certain claimed costs were for the personal benefit of IncludED's Executive Director or his relatives. For example, IncludED claimed $15,382 in rent and other expenses related to the personal residence (in California) of the son of the Executive Director. Other personal expenses that were claimed included $19,888 in meals, $9,720 in student loan payments, and $1,269 for airline tickets and related travel costs.	

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<tr><th>Audit</th><th>Major Finding(s)</th><th>Recommendation/Response</th></tr>
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<td>State Education Department and Special Education Associates, Inc. Special Education Associates, Inc. - Compliance with the Reimbursable Cost Manual
2010-S-31</td>
<td>$385,738 adjustment

Special Education Associates, Inc.(SEA), located in Brooklyn, New York, provides special education itinerant teacher (SEIT) and related services to disabled preschool children. The New York City Department of Education pays tuition and fees to SEA using rates set by the State Education Department (SED). SED sets these rates using financial information that SEA presents in an annual CFR filed with SED. During fiscal years 2007-08 and 2008-09, SEA claimed and received $12.5 million in State support.

Personal service costs in the amount of $324,881 were disallowed. SEA officials fraudulently claimed $324,881 in salary for the Assistant Executive Director for the 2007-08 and 2008-09 fiscal years, even though she was not a full-time employee in their SEIT program but rather a full-time employee at a senior college in the City University of New York. This matter was referred to the Office of the Manhattan District Attorney for investigation and possible prosecution. On December 13, 2011, SEA's Executive Director pled guilty to one count of defrauding the government, a Class E Felony, and paid restitution of $610,000. The $610,000 represented salary paid to the Assistant Executive Director, including $285,000 for the period July 2004 through June 2007 and $325,000 for the period January 2008 through June 2010. SEA's Assistant Executive Director is scheduled to appear in court in June 2012, at which time it is anticipated she will have resigned her CUNY position and will plead guilty to a crime.

An additional $60,857 was disallowed for expenses that did not comply with the Manual.</td>
<td>4 recommendations

It is recommended that the Department review the exceptions identified by the audit, as well as the restitution paid by SEA's Executive Director, and determine necessary adjustments to SEA's tuition reimbursement rates. The Department should also ensure that the reporting of reimbursable expenses complies with Department requirements.

It is also recommended that SEA comply with the Reimbursable Cost Manual's requirements for eligibility and documentation of all reported program costs, and ensure that the CPA who prepares the certified financial statements and the CFR is registered with the Office of Professions.

SED officials agree with the report's recommendations and stated that regarding personal services, SEA has already made the appropriate restitution.
However, SEA officials disagree with some of the report's wording and with certain OTPS disallowances.</td>
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