



**CERINI
& ASSOCIATES** LLP
CERTIFIED PUBLIC ACCOUNTANTS

CERINI & ASSOCIATES, LLP | CERTIFIED PUBLIC ACCOUNTANTS
PRESENTS

SPECIAL ED-ITION

VOL. 28
SUMMER 2023

IT'S AUDIT SEASON

**EVALUATING YOUR
ACCOUNTING SOFTWARE NEEDS**

**MISCELLANEOUS
SED UPDATES AND INFORMATION**

BRINGING A UNIQUE UNDERSTANDING OF KEY ISSUES FACING THE SPECIAL EDUCATION SECTOR

Another school year has passed, and I don't know about you, but it seems like the constant barrage of changing regulations, lack of adequate funding, government funding delays, the intensity of children served, lack of adequate staffing, and other issues continue to become more complicated and debilitating on the programs you run. The level of unserved and underserved children is on the rise; however, many of these children have significantly higher related service and behavioral needs, with districts holding onto higher functioning children with special needs to compensate for diminishing overall student enrollment. Waiver requests are piling up at SED due to lack of adequate staffing at RSU, and while staff there are doing their best to push through them, there is more than a year wait to get a waiver through. NYS is looking to revise the rate methodology to streamline the process and eliminate (or greatly reduce) the need for waivers.

So, with seemingly all the odds against you, you may ask "Why do we continue to subject ourselves to this?" And then you visit the classrooms, talk to the parents, see the impact and change you are having on a daily basis, and it all comes into perspective. Now, if we can only get the politicians and bureaucrats to see things with the same clarity as you do ...

As you wind down the school year and start planning for the summer and September, take the time to go through this edition of the Special Ed-ition. We have included an update of what's happening in NYSED and EI, some insight into the audit activity that continues to create angst among advisor, and information on factors to consider when looking at your next accounting software. We are always interested in your feedback and ideas, so please reach out to us on what you think and what other resources we can provide you and your organization.

For your own personal health, take some time to enjoy the summer and we'll be back in touch in the fall. Please stay connected!



CONTRIBUTORS



EDITOR

KEN CERINI, CPA, CFP, FABFA
CERINI & ASSOCIATES, LLP
MANAGING PARTNER

WRITERS

BRIAN WARFIELD, MS
CERINI & ASSOCIATES, LLP
SENIOR ACCOUNTANT

ALBERT BORGHESE, CPA
CERINI & ASSOCIATES, LLP
MANAGER

AUSTIN HARVEY
CERINI & ASSOCIATES, LLP
STAFF ACCOUNTANT

PAGE LAYOUT & DESIGN

KRISTINA LAINO-TORTORICE
CERINI & ASSOCIATES, LLP
GRAPHIC DESIGNER

ASSOCIATE EDITOR

ALBERT BORGHESE, CPA
CERINI & ASSOCIATES, LLP
MANAGER



CERTIFIED PUBLIC ACCOUNTANTS



IT'S AUDIT SEASON

Anybody who receives government funding knows that funding from the government is a two-way street... yes, you receive funding on either a cost based or fee-based basis, but at some point in time, the government will be checking in to determine if you properly expended the funds and you have properly documented your compliance with laws and regulations. If not, you may be writing a check back to cover your compliance shortfalls. The main agencies that perform these audits within New York State are the Office of the State Comptroller (*cost-based services*), the Office of the Medicaid Inspector General (*fee-based Medicaid funded*), or the specific funding source (*cost based, fee based, programmatic*).



OSC AUDITS:

The OSC has been performing audits of preschool special education providers since 2014. In 2023, the OSC continues to perform provider audits as they continue to work through their mandate to audit all preschool special education providers. While the number of OSC audits are down, the findings they continue to report on are consistent:

- ▶ *Misallocation of staff and expenses*
- ▶ *Lack of back-up support for expenses*
- ▶ *Non-allowable costs charged to tuition-based programs*
- ▶ *Contractor invoices that lack information mandated by the RCM*
- ▶ *Rent not in accordance with approval letters*
- ▶ *Pension and other benefit costs not in compliance with RCM*

Remember, in a cost-based reimbursement system, maintain proper documentation of expenditures, understand the reimbursement methodology ([read the RCM](#)), have support for the nature of expenditures and how they are allocated, and put in place strong systems.



CHILD CARE STABILIZATION FUNDING REVIEWS:

In May, OCFS sent around an e-mail to all providers that received Child Care Stabilization funding to remind them that when they received the Child Care Stabilization Grant, that such funding was subject to review by the OSC. We are not aware of any agency receiving notification that they were selected for a review, but it is clear that such reviews will be coming. It is unclear as to how many agencies will be reviewed, what the exact audit protocols will be, how long they will last, etc., but providers who receive the Child Care Stabilization funding should begin to ensure they have all the necessary documentation in place. [Please click here for Stabilization Grant Recipient Guidance distributed by OCFS](#). Take the time to review the package and pull together a complete audit package to support how you expended these funds.

OMIG AUDITS:



Similar to the OSC's audits of 4410 providers, the OMIG has commenced its audits of all EI providers. However, unlike the OSC audits, which are based upon expenditures, the OMIG audits are compliance focused. The OMIG has issued its audit protocols ([click here to review](#)), which outline the steps that the OMIG will take in performing its audit. To date there have only been a few OMIG audits that have occurred, but don't worry, if you are in the space, you will get your golden ticket in the future and you need to be prepared. We recommend you familiarize yourself with these protocols and incorporate them into your utilization review and/or your Medicaid compliance audit procedures. Also, consider stalking the OMIG's website to review reports that have been issued to get an idea of what sort of findings they are identifying. The OMIG uses statistical sampling to choose its samples for testing (*usually a fraction of 1% of your claims*) and then extrapolates its error rate over the entire population, so a small error can extrapolate to a large recovery.

IRS AUDITS OF ERC CLAIMS:



The employee retention tax credit provided pursuant to the CARES act provided much needed support for many providers impacted by the COVID pandemic. Unfortunately, many third-party providers took aggressive positions with respect to these credits, filing claims where individuals may not be eligible for them. As a result, the IRS has begun performing audits of ERC claims. While the IRS hasn't specifically identified what it will be looking for in conjunction with these audits, based upon other IRS audits, the focus will most likely be on: *eligibility, accuracy of amounts claimed, and other errors*. The IRS typically has three years from the date you filed your refund claim to audit you.

NYC OAG IDEA AUDITS:



Several providers have undergone NYC OAG audits of their IDEA funding. The OAG has been reviewing appropriateness of expenditures and accuracy of student counts/FTE's which drive the amount of funding to begin with. This has resulted in recoupments by the OAG.

FUNDING SOURCE AUDITS:

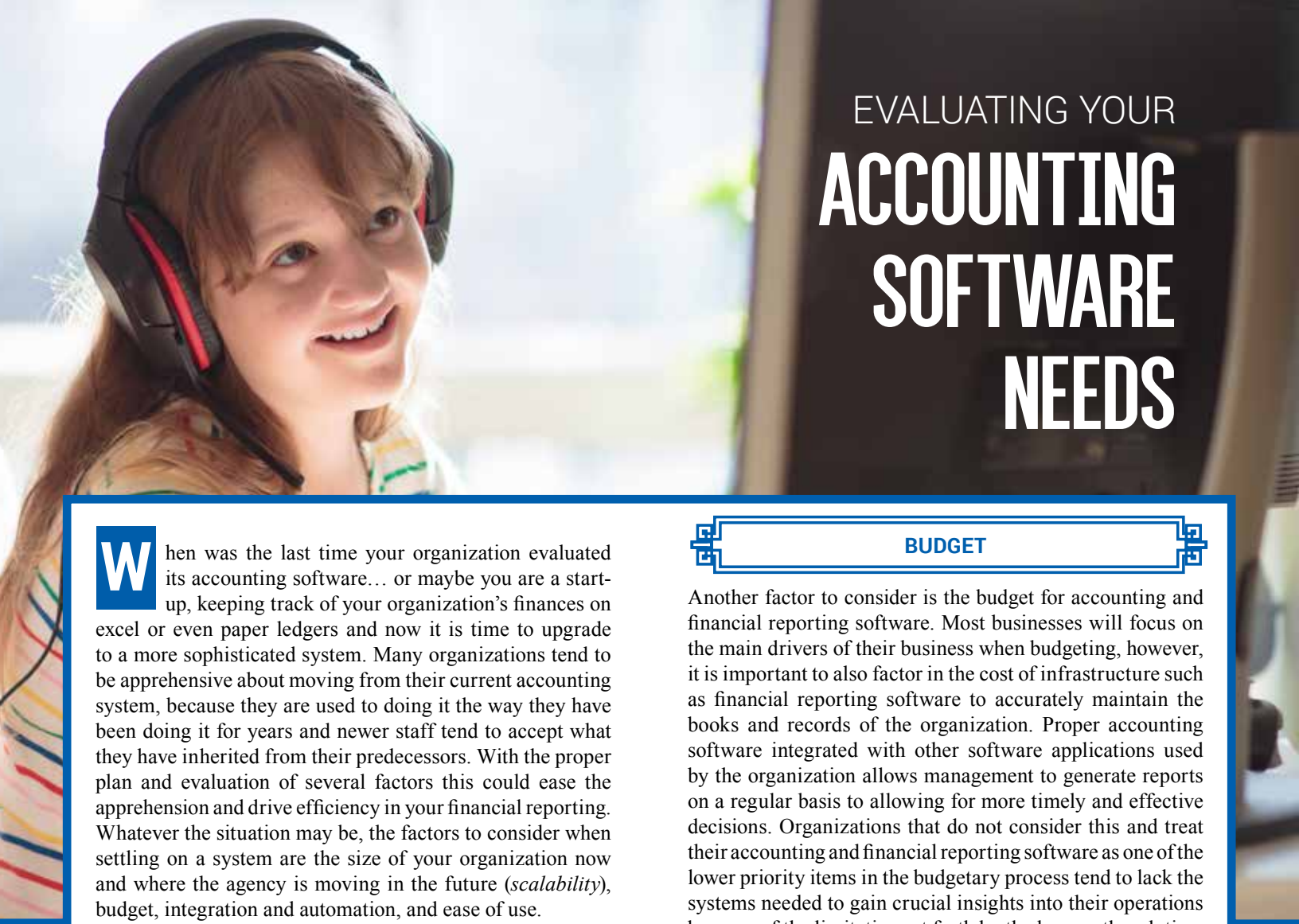


In addition to the above, annual audits by your funding sources from a programmatic and fiscal perspective typically take place. The programmatic audits are typically compliance related, resulting in findings and a need for a corrective action plan, while the fiscal audit could result in recoveries.

With many of your funders interested in ensuring compliance with regulations, we will continue to see an increase in audit activity. Knowing this, it is in your best interest to closely monitor audit reports, implement stronger quality assurance/internal audit functions, strengthen documentation and internal controls, and elevate the overall compliance of your organization.

BRIAN WARFIELD, MS
SENIOR ACCOUNTANT





EVALUATING YOUR ACCOUNTING SOFTWARE NEEDS

When was the last time your organization evaluated its accounting software... or maybe you are a start-up, keeping track of your organization's finances on excel or even paper ledgers and now it is time to upgrade to a more sophisticated system. Many organizations tend to be apprehensive about moving from their current accounting system, because they are used to doing it the way they have been doing it for years and newer staff tend to accept what they have inherited from their predecessors. With the proper plan and evaluation of several factors this could ease the apprehension and drive efficiency in your financial reporting. Whatever the situation may be, the factors to consider when settling on a system are the size of your organization now and where the agency is moving in the future (*scalability*), budget, integration and automation, and ease of use.

SCALABILITY

One of the most recognizable names in the accounting software arena is Quickbooks which has been one of the industry leaders for years because of the ease of use and cost "out of the box." Even though software like Quickbooks and its equivalents have many tools built into it, *is it truly scalable for your organization?* Depending on the size and complexity of the financial data you are collecting currently and projected to in the future, you need to determine if these applications are truly going to be scalable to your business in the future. Further, now with the introduction of cloud-based software and as people have become more receptive to the idea of cloud-based accounting solutions, it is important to understand the difference between the user experience in a cloud-based environment versus the traditional desktop version. Some accounting software, such as Quickbooks, have very different user interfaces between the cloud and the desktop versions. *Another point to think about with scalability is how easy is it to customize the software to meet your financial reporting needs now and in the future? Will the organization be able to customize, add cost centers, add different locations, etc. and be able to generate financial reports for each financial reporting segment of your business you wish to see data on?*

BUDGET

Another factor to consider is the budget for accounting and financial reporting software. Most businesses will focus on the main drivers of their business when budgeting, however, it is important to also factor in the cost of infrastructure such as financial reporting software to accurately maintain the books and records of the organization. Proper accounting software integrated with other software applications used by the organization allows management to generate reports on a regular basis to allowing for more timely and effective decisions. Organizations that do not consider this and treat their accounting and financial reporting software as one of the lower priority items in the budgetary process tend to lack the systems needed to gain crucial insights into their operations because of the limitation set forth by the less costly solution. Further, less costly system may have ease of use, which is one of the factors that should be considered but may lack the ability to provide adequate internal controls, opening the organization up to additional exposure. One point to be made when budgeting for your accounting and financial software is the ability for the pricing to be scalable with your business. Just as the factor of scalability is important in function it is also important to find a solution that is scalable in pricing based on the features you are utilizing at any point in time. Finally, when it comes to budget is many financial applications are turning to a subscription-based model. Looking into solutions that may have a higher up-front cost and lower month to month or annual cost may save you money in the long-term.

INTEGRATION AND AUTOMATION

With the rapid evolution of technology and its impact on all we do, its ability to communicate with other software applications, and the increasing addition of AI into all applications, it is increasingly important that any accounting software application you choose has the ability to expand as your business does. Standalone accounting software does not work anymore; the ability for an accounting software to accept bridges and integrate seamlessly with other software

created by other vendors has become an absolute necessity. An example of this would be the ability for your accounting software to be able to integrate with your outside billing software to help efficiently book transactions, revenues, and receivables. No longer should the staff that is responsible for recording revenues and receivables have to download or print the report from the billing software and manually enter transactions to record revenues and receivables into your accounting system. One system should feed into the other, with the staff checking the integrity of the data and troubleshooting any anomalies in real-time. Further, with the power of AI, some accounting software will learn your routine and can auto-populate information into the accounting system when recording entries and data. Finding an accounting software that has the ability to integrate and automate functions gives the C-suite better information in a much more efficient manner to make the big decisions that drive continued growth and visibility to the financial health of programs on a real-time basis.

EASE OF USE

While many organizations tend to put ease of use much higher in factoring software decisions, I believe it should be one of the final deciders in picking the right accounting system for your organization. After determining all the previous factors and coming up with your top two or three accounting and financial software applications, then you should consider ease of use. Too often organizations get hung up on ease of use before they fully explore an option, and that may not be the best approach. Salespeople are great at selling "ease of use" because they know this is what gets you hooked; however, the solution is actually lacking much needed functionality when you actually begin to utilize it. Yes, ease of use is important since we need to make sure users can use the product with ease and efficiency but making sure that the software can provide you with the information needed, in a timely and integrated fashion, should be paramount in the decision-making process.

With any business decision, especially one as important as choosing an accounting software application system, it is important to consider every factor. Coming up with a decision tree and having multiple brain storming sessions with the various individuals that handle this information on the day-to-day basis is important. Technology can certainly be scary especially for those who are used to their daily routines, but technology should not be feared it should be embraced. Just like when computers first became common place, we learned, we adapted, and now we basically carry them in our pockets each day and wonder how we ever lived without them. There is not a day that goes by where technology doesn't affect our lives both personally and professionally. Embracing technology is one of the single most important tools to have in your organization's arsenal to keep your organization moving forward and make the right decisions. Accounting software has certainly grown and adapted over the years and will continue to in the future. The question is, *will your organization grow with it?*

ALBERT BORGHESE, CPA
MANAGER





MISCELLANEOUS SED UPDATES AND INFORMATION

CHANGES TO THE 2023/24 REIMBURSABLE COST MANUAL ARE MINOR:

SED has released the 2023/24 version of the reimbursable cost manual, and the changes are minor:

- ▶ SED has clarified that non-attest services provided by your audit firm are non-reimbursable if such services impair the auditors' independence. Auditors, as part of their audit process, are required to assess all non-attest services they provide to an audit client to determine if they impair the auditors' independence. Prior to this clarification, there were disallowances by the OSC for such things as tax filings and cost report preparation.
- ▶ Credit card fees, similar to loan procurement fees, are considered non reimbursable. Similarly, credit card interest expense, late payment fees, and annual credit card fees are also not reimbursable.
- ▶ Traditionally, severance pay reimbursement was limited to two weeks. The new RCM expands that to four weeks for severance paid to staff during an organization's close-down.

These were the only changes made to the 2023/24 RCM.

2023/24 RATE METHODOLOGY:

NYSED submitted their 2023/24 rate methodology to the Division of Budget during April, however the methodology letter has not yet been approved. While the terms of the methodology letter have not officially been disclosed, a few of SED's requests are:

- ▶ Continuation of interim plus rates, whereby interim rates would include the current trend factor. The issue here is that unless SED includes all of the previous rate increases into the reimbursement, providers will not get the 11% trend for 2023 in the 2024 interim rates, which will significantly impact cash flow.
- ▶ Changing the non-direct care screen from 30% to 35%, which would allow providers greater flexibility with non-direct care costs, considering the rising cost of rent and the high rate of inflation.
- ▶ A proposed rate increase of 9.84%. However, given the increases provided to schools and other funding sources, I wouldn't expect a rate increase of more than 4%.
- ▶ Continuation of the 5% enrollment adjustment factor to provide programs with relief if their enrollment compared to capacity decreases by more than 5% of their historical levels.

RESERVE FUNDS:

During 2022, New York enacted laws, which among other things, allows private preschool, school-age, and special act school districts to retain annual surpluses of:

- ▶ 11% in 2022/23, 2023/24, and 2024/25
- ▶ 8% in 2025/25
- ▶ 5% in 2026/27
- ▶ 2% in 2027/28

The surplus amount is calculated based upon allowable expenditures (*expenses net of non-direct care screens and non-allowable costs*). The reconciliation rate including the surplus cannot exceed a provider's prospective rate.

- ▶ Example, if a program has a prospective rate of \$225 per day and had expenditures of \$205 after considering non-direct care screens and non-allowable costs, the program would be able to establish a maximum reserve of \$22.55 per care day ($\$205 \times 11\%$). The reserve amount, however, would be limited to \$20 per care day (*the amount the provider spent below the prospective rate*).

The law requires a reconciliation of the unspent funds and Board approval to utilize reserve funds. The format of the reconciliation is unknown as is how the reconciliation will be reported to NYSED. The most logical option would be to add a schedule to the CFR (*SED-5*) to reflect the reconciliation. Stay tuned for any guidance from NYSED.

TUITION RATE SETTING METHODOLOGY REDESIGN:

As part of the 2023/24 NY State budget, the State set aside certain funds earmarked for the development of a redesign of the current rate setting methodology. In furtherance of this mandate, NYSED has distributed an RFP for consultants to assist with the process. The goal is to implement a new methodology by the 2028/2029 school year.

OSC AUDIT OF THE NYS DOH'S EI PROGRAM:

On February 28, 2023, the OSC released their report of their audit of the NY State Department of Health Early Intervention Program. The audit ([copy here](#)) outlined the following findings:

- ▶ Many children who would benefit from the Program aren't receiving services, and children who are receiving them aren't always getting them in a timely manner.

- ▶ Of the approximately 189,000 new children who were referred to the Program between July 2018 and February 2022, over 27,000 (14%) never received a multidisciplinary evaluation.

- ▶ Of the nearly 98,000 children who were evaluated and deemed eligible to receive services, about 2,000 (2%) never received an IFSP.

Of the nearly 95,000 children with an approved IFSP, approximately 27,000 (28%) did not begin receiving therapeutic services within 30 days of when they were authorized to start.

- ▶ Many eligible children likely did not receive services because Program officials didn't have parental consent, which occurred for a wide variety of reasons. Further, insufficient provider capacity is a key reason why services were not always provided in a timely manner. The Department needs to do more to identify and address the underlying reasons why children are not receiving valuable Program services that they are entitled to and can benefit from. This includes determining why officials were not able to obtain parental consent for Program services and doing more to improve provider capacity.

- ▶ Limited guidance and oversight from the Department has resulted in significant differences in Child Find's outreach and awareness activities across the State. The OSC's sample review found that municipalities that conducted the least amount had a lower percentage of children in the population with an IFSP, whereas those that did considerably more outreach served a higher percentage of children.

- ▶ There are disparities across the State in the referral and inclusion of children into the program as well as in the availability of providers and access to program services. Equity is also an issue, with white children generally being referred at a younger age and Black children being less likely to receive services within the prescribed time frame. While the Department has demonstrated it recognizes the importance of equity, more work must be done to identify and fully address barriers to equitable access to the Program.

- ▶ NYEIS does not have the functionality or accuracy municipalities need to administer the Program efficiently and effectively at the local level. While the Department is working with a contractor to implement a new web-based system, EI-HUB, progress has been delayed multiple times.

AUSTIN HARVEY
STAFF ACCOUNTANT



CERINI & ASSOCIATES^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS

Copyright © 2023 by Cerini & Associates, LLP.

All rights reserved.

Please request permission to reprint or copy
any part of Special Edition.



Services

Accounting • Auditing • Financial Modeling
CFR Planning & Preparation • Forensic Accounting
Internal Audit Services • Litigation Support
Management Consulting • Operational & Internal Control Reviews
Policy & Procedure Reviews
Strategic Business Planning • Tax Planning & Preparation
Third Party Contract Negotiations

Cerini & Associates, LLP

www.CeriniCPA.com

P: (631) 582-1600 | F: (631) 582-1714 | 3340 Veterans Memorial Hwy., Bohemia, NY 11716