

new york state society of

NYSSCPA

certified public accountants

Home of the Trusted Professional

3 park avenue, at 34th street, new york, ny 10016-5991

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www.nysscpa.org

March 4, 2005

Mr. Peter LaPan
Chairman, NYS CFR Interagency Committee
c/o NY State Education Department
Room 304EB
89 Washington Avenue
Albany, NY 12234

By e-mail: plapan@mail.nysed.gov

Dear Mr. LaPan:

The New York State Society of Certified Public Accountants, the oldest state accounting association representing approximately 30,000 CPAs, welcomes the opportunity to respond to your request to submit suggestions relating to the Consolidated Fiscal Report (CFR).

The NYSSCPA Not-for-Profit Organizations Committee considered the options for reporting of the sale of management services presented in your letter of December 21, 2004 and has prepared the attached comments. If you would like additional discussion with the committee, please contact Allen L. Fetterman, chair of the Not-for-Profit Organizations Committee, at (845)-638-1460, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

John J. Kearney
President

Attachment

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**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS ON OPTIONS FOR THE REPORTING OF THE SALE OF
MANAGEMENT SERVICES**

March 4, 2005

Principal Drafter

Derek Flanagan

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Ernest J. Markezin

**THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
NOT-FOR-PROFIT ORGANIZATIONS COMMITTEE
RESPONSE TO REQUEST FOR ADVICE ON REPORTING OF
THE SALE OF MANAGEMENT SERVICES**

March 4, 2005

Both options presented in your letter of December 21, 2004 would be acceptable in different cases depending on the facts and circumstances. In those situations where the provision of management services is not regularly carried on, Option 2 would be the more appropriate option. Generally, this type of activity would be incidental to the management service provider (Agency A), and would presumably not require significant indirect (administrative) costs. It would therefore not be appropriate to add allocated agency administration to these costs as would be required under Option 1.

Agency A may be called upon to provide programmatic services to another agency, such as the case where Agency A provides a clinic program director to fill in for an unexpected vacancy in Agency B, where Agency B does not have the immediate resources to cover the responsibilities of the vacant position. Option 2 would cover such cases if it were expanded to provide the same type of non-allowable cost adjustment to the appropriate column(s) of CFR-1.

For those organizations that include management services as one of the activities that are regularly carried on, Option 1 would be more appropriate.