



CENTERS FOR INDEPENDENT LIVING
COMPLIANCE REVIEW REPORT

Glens Falls Independent Living Center, Inc.
dba
Southern Adirondack Independent Living Center

Grant Award Number: H132A997006
Queensbury, NY

REVIEW DATES: December 4-6, 2013

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REHABILITATION SERVICES ADMINISTRATION

TABLE OF CONTENTS

I. PURPOSE OF THE ON-SITE MONITORING REVIEW 3

II. METHODOLOGY 3

III. MISSION AND DESCRIPTION 4

IV. SPECIALIZED SERVICES AND PROGRAMS PROVIDED 4

V. OBSERVATIONS AND RECOMMENDATIONS 4

VI. FINDINGS AND CORRECTIVE ACTIONS 5

VII. TECHNICAL ASSISTANCE 10

Appendix A: Legal Requirements 12

I. PURPOSE OF THE ON-SITE MONITORING REVIEW

Sections 706(c) and 722 of the Rehabilitation Act of 1973, as amended (Rehabilitation Act) mandate that the Rehabilitation Services Administration (RSA) conduct on-site reviews of centers for independent living (CILs) funded under Title VII, Part C, Section 722. The objectives of on-site reviews are to:

- assess compliance with the requirements of Section 725(b) and (c)(3) of the Rehabilitation Act and 34 CFR 366.60-366.63;
- study program operations, organizational structure and administration of the CIL under Section 725(c)(1), (2), (5) and (6) of the Rehabilitation Act and 34 CFR 366.2 and 366.50;
- review documentation sufficient to verify the accuracy of the information submitted in the most recent 704 Annual Performance Report;
- verify that the CIL is managed in accordance with federal requirements in the Education Department General Administrative Regulations (EDGAR);
- assess CIL conformance with its work plan, developed in accordance with Section 725(c)(4) of the Rehabilitation Act and 34 CFR 366.50(d)(2), conditions of the CIL's approved application, and consistency with the State Plan for Independent Living (SPIL);
- identify areas of suggested or necessary improvements in the CIL's programmatic and fiscal operation and provide technical assistance resources available on the local, state, regional and national level;
- identify areas of exemplary work, projects and coordination efforts and make this information available to the larger CIL community; and
- provide an opportunity to share information with experienced nonfederal individuals involved in the operations of CILs and make available technical assistance to enhance CIL operations or to minimize or to eliminate problem areas.

II. METHODOLOGY

The on-site review of the Glen Falls Independent Living Center, dba Southern Adirondack Independent Living Center (SAIL), was conducted December 4-6, 2013. The program review covered the independent living (IL) operations and activities and the financial review examined SAIL's participation in Title VII, Part C, of the Rehabilitation Act. RSA used the On-Site Review Guide (ORG) to conduct the on-site review. During the review, interviews were conducted with the center's management, staff, consumers, and members of the board of directors. In addition to the interviews, program and financial documents were reviewed in accordance with the protocol required by RSA's ORG, including written policies and procedures, a sample of consumer service records (CSRs), and other documents that verified compliance with standards and indicators. CSRs were selected for review on a random basis. The review team conducted an exit conference at the conclusion of the review to provide initial feedback from the review.

Review team participants included:

- Corinna Stiles, RSA program specialist;
- Mitch Granger, nonfederal reviewer;

- Bob Gumson, representative, designated State unit; and
- Brad Williams, representative, Statewide Independent Living Council.

III. MISSION AND DESCRIPTION

SAIL's mission is to promote the independence, equality and dignity of persons with disabilities. SAIL's priorities address goals in the areas of: community and systems advocacy, technical assistance to the community, public relations, resource development, staff and board of directors, outreach, promoting consumer involvement, and individual services. SAIL serves Saratoga County through Part C funds and an additional 14 counties through other funding sources. SAIL was first awarded an RSA grant under Title VII of the Rehabilitation Act in 1995.

IV. SPECIALIZED SERVICES AND PROGRAMS PROVIDED

In addition to the required four core services, SAIL provides additional independent living services in areas that include assistance with architectural barriers, loan programs for assistive devices and equipment, assistance with issues related to the Americans with Disabilities Act, benefits advisement, vocational services, case management and service coordination, early intervention services and health insurance counseling. In addition, SAIL provides specialized services and programs described below that facilitate community integration.

- **Housing and Shelter Services:** SAIL provides information, advice, and assistance to individuals with disabilities and family members concerning securing and/or retaining housing, including accessible and affordable housing (Section-8, etc.). Information concerning homeownership and modification programs is provided as requested. When necessary, assistance is provided for completing housing applications and communicating with landlords. Information is also provided concerning tenant and landlord rights and responsibilities.
- **Mobility Training:** SAIL provides assessment, advice, and training to individuals with disabilities, family members and other interested parties concerning mobility. Services focus on improving individuals' ability to fully access their home and community, and may include adaptive equipment loan and/or acquisition, as well as travel training.
- **Nursing Home Transition and Diversion:** SAIL provides advocacy and assistance to individuals with disabilities, family members, and other interested parties to return to community-based settings from nursing homes. SAIL also provides advocacy and assistance to persons at risk of nursing facility placement so that they can remain in the community with necessary supports.

V. OBSERVATIONS AND RECOMMENDATIONS

During its review activities, RSA identified the observation below and made recommendations that SAIL may consider to improve its operations and performance.

1. Equal Access

Observation: A review of SAIL policies and procedures, brochures, and an on-site facility accessibility review indicate SAIL meets the minimum requirements regarding equal access.

However, the SAIL Ballston Spa location does not include Braille signage, does not have on-site Braille capabilities, or documents and forms in Braille to assist individuals who are blind or visually impaired.

Recommendation: RSA recommends that SAIL:

- include Braille signage to facilitate activities conducted in the ordinary course of business such as, individual staff office indicators, restroom indicators and other activities of business significance; and
- develop the capacity to provide immediate on-site Braille services for consumer documents and forms, or have Braille documents and forms available onsite.

SAIL Response: SAIL strives to ensure adequate accessibility for all existing and potential consumers who are blind and visually impaired. SAIL currently offers immediate staff assistance, as well as reading assistance, large print, audio recordings of SAIL documents, and computerized screen reading technology with text-to-speech and speech-to-text capabilities (Jaws for Windows and WindowEyes) on site as requested by consumers. Additionally, the agency offers Braille printing and conversion services through the agency office located at 71 Glenwood Avenue, Queensbury, NY 12804.

SAIL Board of Directors and staff reviewed the RSA recommendations for increased accessibility measures at the RSA-funded office. Due the small size of the office, limited space, and the linear layout, as well as the fact that the office has only two (2) full-time staff, it was agreed that Braille signage for the only bathroom (uni-sex) will be purchased and installed. As far as the capacity to provide immediate on-site Braille services for consumer documents and forms is concerned, it was noted by staff that no request for Braille services in any form has been received by agency staff at any location for more than 10 years. Despite this, the agency purchased a new Braille printer with software compatible with Windows 8 in the fall of 2013 that is integrated with a large screen, low vision computer with a Braille keyboard located at the agency office in Queensbury, NY in a fully accessible computer lab for the use of consumers and staff. This currently affords the agency the ability to offer Braille transcription the same day and/or within one (1) working day of any request. Agency staff are currently researching options and funding sources for a portable Braille that can be kept at the RSA-funded office. The acquisition will be dependent upon the ability to raise funds for the device and/or the ability to identify a funding source.

VI. FINDINGS AND CORRECTIVE ACTIONS

RSA identified the compliance findings below. Within 30 days of receipt of the final report, SAIL must submit a corrective action plan (CAP) to RSA for review and approval. The CAP should include: (1) the specific corrective actions that the CIL will undertake in response to each finding; (2) the methodology that the CIL will utilize to evaluate if each corrective action has been effective; and (3) the timetable for the implementation and evaluation of the corrective action.

RSA reserves the right to pursue enforcement action related to these findings as it deems appropriate, including the recovery of funds, draw down restrictions, funds withholding, or grant

terminations, pursuant to 34 CFR 74.60 and 34 CFR 74.62 of the Education Department General Administrative Regulations (EDGAR).

Finding 1: Governing Board

Legal Requirements:

- **34 CFR 366.50(b)** What assurances shall a center provide and comply with?

Finding: SAIL is out of compliance with 34 CFR 366.50(b) because it does not have a board of directors comprised by a majority of individuals with significant disabilities. SAIL's 2013-2014 board roster updated October 5, 2013 and provided to the reviewers onsite, indicates only 5 out of 12 board members are individuals with disabilities. Individuals with significant disabilities must compose a majority of the governing board.

Corrective Action: SAIL must:

- 1.1 provide an assurance within 10 days of the issuance of the final report that it will actively seek to ensure the governing board is comprised of a majority of individuals with significant disabilities;
- 1.2 provide a plan for the recruitment of individuals with significant disabilities to fill any current and future vacancies.

SAIL Response: This finding was not discussed with SAIL Board Members and staff at the Exit Conference. SAIL Board of Directors and staff reviewed the RSA finding, and provide every assurance that both members of the Board of Directors and staff actively work to ensure that the Board of Directors is comprised of a majority of individuals with significant disabilities. SAIL has a Board Recruitment Policy (see attached) that is actively utilized, and every effort is made to ensure that the Board of Directors is comprised by a majority of members with significant disabilities. On occasion, due to the resignation or death of a member of the Board of Directors who has a significant disability, a vacancy occurs that changes the ratio. When this occurs, all members of the Board of Directors are notified, as well as all members of the SAIL Advisory Councils and all agency staff, and a search is implemented. In addition, Emeritus Members of the Board of Directors who have significant disabilities are informed of the vacancy and invited to attend and participate in meetings until a new member with a significant disability is identified, vetted, and can be appointed.

RSA Response: RSA stands on this finding. RSA acknowledges receipt and consideration of the Board Recruitment Policy. However, while the policy is evidence to support SAIL has a Board Recruitment Policy, which is not in question, it is not evidence of compliance that the governing board is comprised of a majority of individuals with significant disabilities. Please begin the corrective action listed above or provide evidence to support the corrective action has been completed.

Finding 2: Independent Living Goals

Legal Requirements:

- **34 CFR 364.52** What are the requirements for an IL plan?
- **34 CFR 364.53** What records must be maintained for the individual?

Finding: SAIL is out of compliance with 34 CFR 364.52 and 34 CFR 364.53 because CSRs do not consistently include the following required components: IL plans developed with the consumer or a waiver signed by the consumer stating an IL plan is unnecessary; IL goals or objectives established with the consumer; IL goals or objectives achieved by the consumer; the anticipated duration of the service program and each component service; or indications that additional reviews occurred to determine whether services should be continued, modified or discontinued. SAIL’s Data Management Policy and Procedures Manual (last revision July 2012) includes extensive and detailed CSR management policies and procedures. For example, Section II, Data Creation and Recording Procedures, provides details on completion of the intake form, Sec. II, i; completion of the consumer service record form, Sec. II, ii; completion of the consumer goal update form, Sec. II, iii; and completion of a monthly report, Sec. II, iv.

However, CSRs are not consistent with instructions provided in the policy and procedures manual. The review team randomly selected 36 hard file CSRs from the Ballston Spa Part C consumer records file cabinet. The selections included CSRs from FY 2012 and FY 2013 and included active and closed statuses. Eleven out of 36 CSRs reviewed (31 percent) did not include an ILP or waiver signed by the IL staff member and the consumer; 13 (36 percent) did not include IL goals or objectives established with the consumer; and 10 (28 percent) did not reflect the IL goals or objectives achieved by the consumer. None included the anticipated duration of services or documentation of additional reviews to determine whether services should be continued, modified or discontinued. Based on the review, it appears that few consumers receive services beyond what could be characterized as information and referral, further calling into question the level of services represented in the CSRs. During on-site staff interviews, staff confirmed CSRs were opened and closed quickly with varied justifications provided.

Corrective Action: SAIL must:

- 1.1 develop and implement a process of quality control to review CSRs on a regular basis to ensure that all requirements are consistently met; and
- 1.2 provide staff training utilizing its Data Management Policy and Procedures Manual.

SAIL Response: This finding was not discussed with SAIL Board Members and staff at the Exit Conference. Therefore, the finding is not clear and is disputed by SAIL staff. Specifically, SAIL disputes the report that 31% of the records did not include an ILP or waiver signed by the agency staff member and the consumer, 36% of the records did not include IL goals or objectives established with the consumer, and 28% of the records did not reflect the IL goals or objectives achieved by the consumer. Please submit the name for each consumer record reviewed and SAIL staff will forward copies of the consumer records for re-review by the survey team.

SAIL has a comprehensive and detailed process for all CSRs utilizing the attached form. These forms are utilized for all consumers, other than casual consumers and consumers who are only seeking information/referral, and have been utilized for more than seven (7) years. These forms require the signatures of both the consumer and staff. These forms are reviewed by staff before

submission to their Supervisor for review. The forms are reviewed again when they are submitted for entry into the agency database system, and the forms are reviewed a fourth time by the Associate Executive Director before establishing the Administrative record. The multiple reviews ensure that all data elements and signatures are complete.

Page 2 of the CSR Intake form includes a statement of whether or not the consumer has chosen to establish an Independent Living Plan (ILP), and the form is signed by the consumer on both pages 1 and 3. If the consumer chooses to establish an ILP, Pages 2 and 3 of the form identify the Goal Area(s) selected and define the objectives. SAIL staff do concede that the form does not currently include the anticipated duration of the service program and each component service, and will revise the form to include this information.

SAIL staff do monitor all goals and objectives to determine whether or not they have been achieved on a monthly, quarterly, semi-annual, and annual basis until the CSR is closed. Staff utilize the attached Goal Update form. As with the CSRs, this form is reviewed by staff and the staff Supervisor before they are entered into the agency database system. These forms are then filed in the Administrative record. The discrepancy identified during the Exit Conference centered on the agency use of pink paper for the Goal Update form. While agency staff do use the form printed on pink paper, copies of the form that remain in the staff record are printed on plain white paper.

All agency staff have received training in the agency paperwork process relating to CSRs, Goal Update forms, and record maintenance. Staff supervisors monitor compliance with the paperwork process at least monthly during staff supervision, and the staff person responsible for data entry returns any incomplete forms to the staff person and/or supervisor for corrections before entering the data. In addition, at least annually, the paperwork process is reviewed with all agency staff during a staff meeting.

Discussion during the Exit Conference regarding CSRs centered on the fact that agency staff do not always record and document all of the services being provided to an individual consumer. (E.g.: Agency staff were recording a particular service as Benefits Advisement, but not reporting that they also provided Peer Counseling and Independent Living Skills Training during the same encounter.) SAIL staff acknowledge that this is an ongoing training issue for staff and have implemented at least bi-weekly supervision with staff to ensure that all services provided to each consumer are appropriately documented and that they appear as part of the record.

RSA Response: RSA stands on this finding. RSA acknowledges receipt and consideration of the Intake and Update CSR forms. However, while the forms are evidence to support SAIL has CSR processes in place, which is not in question, it is not evidence that staff consistently follow internal processes and achieve CSR compliance. Please begin the corrective action listed above or provide evidence to support the corrective action has been completed.

Finding 3: Personnel Cost Allocation

Legal Requirements:

- **OMB Circular A-122, Section 7**

Finding: SAIL is out of compliance with OMB Circular A-122 Section 7 because the distribution of salaries and wages for SAIL staff who are funded in part or in whole with Part C funding are not supported by personnel activity reports (PARs) described in 2 CFR 230 Appendix B, Item 8(m)(2). SAIL PARs reflect the percentage an individual is assigned to a funding source as stated on the SF-524 Form rather than on an after-the-fact determinations based on actual activities of each employee. In addition, SAIL PARs do not provide the funding source reporting specific to actual activities of each employee. As a result, accurate accountability of employee activities between funding sources is not possible.

Corrective Action 1: SAIL must ensure PARs reflect an after-the-fact determination of the actual activity of each employee identified by funding source.

SAIL Response: The Personnel Cost Allocation is part of the agency Cost Allocation Plan (CAP). Unfortunately, SAIL records prior to 2004 have all been destroyed. Therefore, it cannot be determined if SAIL had an approved Cost Allocation Plan (CAP) in place prior to 2004 and reportedly the US Department of Education Indirect Cost Group is not able to confirm whether or not the plan was received, reviewed and approved previously. Since 2004, the agency has had a CAP in place that is modeled on the ILRU training and sample documents. A copy of this plan was forwarded to the US Department of Education's Indirect Cost Group immediately following the survey in December of 2013, and the original certifications are maintained in the Accounting Office for the agency. No response was received for this communication. Therefore, a second request was forwarded in June 2014 following receipt of the Draft Monitoring Report. At this time, the CAP remains under review by the Indirect Cost Group. SAIL Board of Director's and staff remain committed to a fair and reasonable allocation of all personnel costs and will respond to any issues or concerns identified during the review process.

RSA Response: RSA stands on this finding. Please begin the corrective action listed above or provide evidence (copies of PARs) to support the corrective action has been completed.

Finding 4: Fiscal Management

Legal Requirements:

- **EDGAR 34 CFR 74.27(a)**
- **EDGAR 34 CFR 75.560 (a)**

Finding: SAIL is not in compliance with EDGAR 34 CFR 75.560(b), 34 CFR 74.27 and OMB Circular A-122 because it is allocating costs to its IL Part C grant without an approved cost allocation plan or indirect cost rate agreement.

Corrective Action: SAIL must develop, submit to the Department's Indirect Cost Group for review and approval, and implement a cost allocation plan or indirect cost rate.

SAIL Response: Unfortunately, SAIL records prior to 2004 have all been destroyed. Therefore, it cannot be determined if SAIL had an approved Cost Allocation Plan (CAP) in place prior to 2004 and reportedly the US Department of Education Indirect Cost Group is not able to confirm whether or not the plan was received, reviewed and approved previously. Since 2004, the

agency has had a CAP in place that is modeled on the ILRU training and sample documents. A copy of this plan was forwarded to the US Department of Education's Indirect Cost Group immediately following the survey in December of 2013, and the original certifications are maintained in the Accounting Office for the agency. No response was received for this communication. Therefore, a second request was forwarded in June 2014 following receipt of the Draft Monitoring Report. At this time, the CAP remains under review by the Indirect Cost Group. SAIL Board of Director's and staff remain committed to a fair and reasonable allocation of all agency costs and will respond to any issues or concerns identified during the review process.

RSA Response: RSA stands on this finding. RSA acknowledges SAIL has engaged in a post review process obtain a cost allocation plan approved by the Department of Education Indirect Cost Group. The corrective action listed above will be complete when evidence is provided to RSA to support an approved cost allocation plan is in place. SAIL should contact Frances Outland in the Indirect Cost Group at Frances.Outland@ed.gov to determine the current status of their plan approval.

VII. TECHNICAL ASSISTANCE

During the review process, RSA provided technical assistance to the center in the areas described below.

Self-help and Self-Advocacy: SAIL's policies and procedures and written marketing material indicate SAIL meets the minimum requirements regarding promoting self-help and self-advocacy among individuals with significant disabilities. However, a review of CSRs, and interviews with staff and consumers, indicate consumers are not consistently encouraged towards self-help and self-advocacy. Namely, CSRs reviewed were heavily weighted towards benefits and housing attainment whereby SAIL completes relevant forms on behalf of the consumer. Self-help and self-advocacy would be strengthened by activities such as coaching, teaching, or instructing consumers rather than completing the tasks for the consumers. Guidance on self-help and self-advocacy is found at 34 CFR 366.63(2) in the example: ... "by conducting activities to train individuals with significant disabilities in self-advocacy."

SAIL Response: SAIL Board of Directors and staff acknowledge that this continues to be an ongoing issue with particular staff members. Therefore, SAIL has made this a priority during both individual and group supervision, as well as during staff meetings. All staff have now been reminded and re-trained in the need to encourage consumers to do all that they can do. The agency is committed to implementing the staff disciplinary policy and procedure for any staff who do not demonstrate consistent coaching and training to consumers aimed at self-advocacy and independence.

Fiscal Management - Cost Allocation Plan: Per the RSA Commissioner's May 2004 Memorandum, CILs with more than one cost objective are required to obtain approval by the U.S. Department of Education's Indirect Cost Group, of a cost allocation plan or indirect cost rate (ICR). CILs must submit proposed cost allocation plans to the appropriate Indirect Cost Group State contact. The appropriate Indirect Cost Group State contact is listed at <http://www2.ed.gov/about/offices/list/ocfo/fipao/icgreps.html>. Once the CIL's cost allocation

plan is approved, as long as the approved cost allocation plan remains valid, the CIL must submit annual certifications to the Indirect Cost Group (Note: Cost allocation plans are approved by the Department's Indirect Cost Group).

SAIL Response: Unfortunately, SAIL records prior to 2004 have all been destroyed. Therefore, it cannot be determined if SAIL had an approved Cost Allocation Plan (CAP) in place prior to 2004 and reportedly the US Department of Education Indirect Cost Group is not able to confirm whether or not the plan was received, reviewed and approved previously. Since 2004, the agency has had a CAP in place that is modeled on the ILRU training and sample documents. A copy of this plan was forwarded to the US Department of Education's Indirect Cost Group immediately following the survey in December of 2013, and the original certifications are maintained in the Accounting Office for the agency. No response was received for this communication. Therefore, a second request was forwarded in June 2014 following receipt of the Draft Monitoring Report. At this time, the CAP remains under review by the Indirect Cost Group. SAIL Board of Director's and staff remain committed to a fair and reasonable allocation of all agency costs and will respond to any issues or concerns identified during the review process.

Appendix A: Legal Requirements

This Appendix contains the full text of each legal requirement cited in Section VI of this report.

Rehabilitation Act of 1973, as amended

IL Program Regulations

34 CFR 366.50(b) What assurances shall a center provide and comply with?

To be eligible for assistance under this part, an eligible agency shall provide satisfactory assurances that the center will be designed and operated within local communities by individuals with disabilities, including an assurance that the center will have a board that is the principal governing body of the center and a majority of which must be composed of individuals with significant disabilities.

34 CFR 364.52 What are the requirements for an IL plan?

(a) General. (1) Unless the individual who is to be provided IL services under this part signs a waiver in accordance with paragraph (a)(2) of this section, the service provider, in collaboration with the individual with a significant disability, shall develop and periodically review an IL plan for the individual in accordance with the requirements in Sec. 364.43(c) and paragraphs (b) through (e) of this section.

(2) The requirements of this section with respect to an IL plan do not apply if the individual knowingly and voluntarily signs a waiver stating that an IL plan is unnecessary.

(3) Subject to paragraph (a)(2) of this section, the service provider shall provide each IL service in accordance with the IL plan.

(b) Initiation and development of an IL plan. (1) Development of an individual's IL plan must be initiated after documentation of eligibility under Sec. 364.51(a) and must indicate the goals or objectives established, the services to be provided, and the anticipated duration of the service program and each component service.

(2) The IL plan must be developed jointly and signed by the appropriate staff member of the service provider and the individual with a significant disability or, if consistent with State law and the individual chooses, the individual's guardian, parent, or other legally authorized advocate or representative.

(3) A copy of the IL plan, and any amendments, must be provided in an accessible format to the individual with a significant disability or, if consistent with State law and the individual chooses, the individual's guardian, parent, or other legally authorized advocate or representative.

(c) Review. (1) The IL plan must be reviewed as often as necessary but at least on an annual basis to determine whether services should be continued, modified, or discontinued, or whether the individual should be referred to a program of VR services under 34 CFR part 361 or to any other program of assistance.

(2) Each individual with a significant disability or, if consistent with State law and the individual chooses, the individual's guardian, parent, or other legally authorized advocate or representative, must be given an opportunity to review the IL plan and, if necessary, jointly redevelop and agree by signature to its terms.

(d) Coordination with vocational rehabilitation, developmental disabilities, and special education programs. The development of the IL plan and the provision of IL services must be coordinated to the maximum extent possible with any individualized--

(1) Written rehabilitation program for VR services for that individual;

(2) Habilitation program for the individual prepared under the Developmental Disabilities Assistance and Bill of Rights Act; and

(3) Education program for the individual prepared under part B of the Individuals with Disabilities Education Act.

(e) Termination of services. If the service provider intends to terminate services to an individual receiving IL services under an IL plan, the service provider shall follow the procedures in Sec. 364.51(b)(2)(ii) through (iv) and (c).

34 CFR 364.53 What records must be maintained for the individual?

For each applicant for IL services (other than information and referral) and for each individual receiving IL services (other than information and referral), the service provider shall maintain a consumer service record that includes--

(a) Documentation concerning eligibility or ineligibility for services;

(b) The services requested by the consumer;

(c) Either the IL plan developed with the consumer or a waiver signed by the consumer stating that an IL plan is unnecessary;

(d) The services actually provided to the consumer; and

(e) The IL goals or objectives--

(1) Established with the consumer, whether or not in the consumer's IL plan; and

(2) Achieved by the consumer.

(f) A consumer service record may be maintained either electronically or in written form, except that the IL plan and waiver must be in writing.

Education Department General Administrative Regulations (EDGAR)

EDGAR 34 CFR 75.560 (a)

The differences between direct and indirect costs and the principles for determining the general indirect cost rate that a grantee may use for grants under most programs are specified in the cost principles for . . . (3) Other nonprofit organizations, at 34 CFR 74.27; (b) A grantee must have a current indirect cost rate agreement to charge indirect costs to a grant. To obtain an indirect cost rate, a grantee must submit an indirect cost proposal to its cognizant agency and negotiate an indirect cost rate agreement.

EDGAR 34 CFR 74.27(a)

For each kind of recipient, there is a set of cost principles for determining allowable costs. Allowability of costs are determined in accordance with the cost principles applicable to the entity incurring the costs, as specified in the following chart: Office of Management and Budget (OMB) Circular A-122, "Cost Principles for Non-Profit Organizations," establishes the

principles for determining costs of grants, contracts and other agreements with the federal government.

OMB Circular A-122, Section 7

m. Support of salaries and wages.

Charges to awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports, as prescribed in subparagraph except when a substitute system has been approved in writing by the cognizant agency. (See subparagraph E.2 of Attachment A.)

(2) Reports reflecting the distribution of activity of each employee must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to awards. In addition, in order to support the allocation of indirect costs, such reports must also be maintained for other employees whose work involves two or more functions or activities if a distribution of their compensation between such functions or activities is needed in the determination of the organization's indirect cost rate(s) (e.g., an employee engaged part-time in indirect cost activities and part-time in a direct function). Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

(a) The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

(b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.

(c) The reports must be signed by the individual employee, or by a responsible supervisory official having first-hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

(d) The reports must be prepared at least monthly and must coincide with one or more pay periods.