A REFERENCE GUIDE
FOR
NEW YORK STATE INDEPENDENT LIVING CENTERS

To
State Agency Contract and Grant Requirements

Contract and Grant Opportunities

And

Best Financial Practices

Offered as a Service to

The Statewide Network of Independent Living Centers

by

The New York State Independent Living Council (NYSILC)
The New York Association on Independent Living (NYAIL)
The New York State Education Department, Office of Vocational and Educational Services for Individuals with Disabilities (VESID)

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INTRODUCTION

The New York State Independent Living Council (NYSILC), the New York Association on Independent Living (NYAIL) and the New York State Education Department Office of Vocational and Educational Services for Individuals with Disabilities (VESID) intend this document to serve as a source of information to assist IL Centers in knowing and meeting the financial requirements imposed by the state agencies. It is also intended as a tool in strengthening financial practices to promote growth of the Independent Living Centers overall.

The success of the Independent Living Centers depends on many things. Certainly among the most important is securing, protecting and effectively using financial resources. Financial strength and integrity of every Center is like the foundation of a building supporting and enabling the structure. The corporate financial and accounting misdeeds in recent years have created a much greater public and governmental awareness and concern for the financial integrity of the organizations they do business with. Those scandals resulted in the passage of the Sarbanes-Oxley Act that set tough new accountability requirements for public accountants, corporate boards and corporate executives. While Sarbanes-Oxley does not technically apply to not-for-profits it is important that we recognize its implications. The public and governmental concern for greater financial accountability and disclosure will impact not-for-profits. Government funding agencies and other constituencies such as private accrediting agencies, donors, customers and the media will hold not-for-profits to high standards of financial accountability and openness

Independent Living Centers operate in a complex financial world heavily dependent on government funding in the form of grants and contracts. Financial strength requires careful planning. It also requires a thorough knowledge of the rules, an effective set of financial policies and procedures and a strong system of internal controls.

It is the aim of this document to offer the Centers information that can be used first as a common denominator of State agencies financial requirements and secondly as a reference guide to specific conditions and requirements imposed by state law, regulations and agency policy. Where law and regulations are discussed they have been summarized to address important points for the Centers. In all cases reference has been made to where the reader can access the law or regulation in detail. In addition to base requirements this guide provides information on best practices developed by Centers and others in areas such as internal controls and Board of Directors responsibilities. References to a variety of information resources via the Internet and contact information within State agencies are also included.

IL Centers are encouraged to use this document as a tool in their continuing efforts to establish and maintain sound financial practices. Centers are also encourage share their experience and best practices with their colleagues and provide feedback to NYSILC, NYAIL and VESID on the usefulness of this tool.

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FINANCIAL ACCOUNTABILITY AND GROWTH

Independent Living Centers serve a unique and important purpose in assisting people with disabilities achieve independence. However, the number of individuals with disabilities and the demand for Independent Living services far outstrips the capacity of the Independent Living Center network and the resources available to the Centers. It is obvious that IL Centers must grow resources and services to meet the needs of people with disabilities. This of course is easier said than done but it is the responsibility of IL Center boards of directors and management to create a plan and a strong financial foundation for that growth. There are many things a Center must have to grow. They include; a sound business plan, imagination, creativity, commitment, support and more but nothing is more important than fiscal integrity and a sound financial structure. Centers must create an organizational environment of fiscal accountability, responsibility, openness and integrity. That begins with a board and management experienced in financial management and committed to control and accountability. It continues with written fiscal policies and procedures, a sound system of internal controls, knowledge of the financial environment (laws, regulations etc.), a well trained staff and open communication of financial position to all constituents.

When a Center is recognized by funding agencies, donors, lenders, partners, vendors, community and political leaders, customers, employees and others as an organization of fiscal integrity and strength it has both opportunity and capability to grow.

This document attempts to provide the Centers with information that members of boards of directors, management and staff might use to build and or strengthen the financial accountability and controls of their organizations.

REGULATING AUTHORITIES AND INFORMATION RESOURCES

Several state agencies have authority to establish financial requirements of Independent Living Centers. In most cases the requirements are imposed on all organizations or at least all not-for-profit organizations that contract with or receive grants from state government. Much of the agencies' authority comes from the State Finance Law and the State Education Law.

The primary regulating agencies are briefly described below. An easy access website to most state agencies is the New York State E-government, Citizens Guide that can be found at www.nysegov.com/citguide.cfm. By selecting contact information for state agencies the reader gets a multi-page set of links to agency websites.

OFFICE OF THE STATE COMPTROLLER
www.osc.state.ny.us

The State Comptroller is the chief financial officer for the State of New York. The Comptroller establishes State financial management requirements and directs all state agencies on matters such as purchasing, contract management and grants management. The Comptroller's New York State Financial Management Requirements and G-Bulletins Contracts and Expenditures guide state agencies in executing their contracts, grants and purchasing arrangements (these documents can be found in the State Agency section of the Comptroller's web site). The Comptroller is the final authority with responsibility to review and approve all state contracts and all payments before they are issued.

OFFICE OF THE ATTORNEY GENERAL
www.oag.state.ny.us

The Attorney General is the chief legal officer of the State of New York. In that role the Office of the Attorney General reviews and approves all contracts before they can be submitted to the State Comptroller for final approval. The Attorney General's Charities Bureau is responsible for enforcing the laws governing charities registration. Independent Living Centers would be expected to register. The Charities Bureau also examines charities, their officers and director to ensure that they properly carry out their duties in managing, using and preserving their assets. In keeping with this responsibility the Attorney General has issued a booklet Internal Controls and Financial Accountability for Not-for Profit Boards. This is a useful and concise twenty page document available on the website www.oag.state.ny.us/charities/charities.html.

OFFICE OF GENERAL SERVICES
www.ogs.state.ny.us

The Commissioner of the Office of General Services (OGS) chairs the State Procurement Council that is responsible for the study, analysis and development of recommendations to improve State procurement policy and practices and for development and issuance of guidelines governing State agency procurement. The Procurement Council membership includes the State Comptroller, Director of the Budget, Commissioners of Economic Development and General Services, seven state agency heads appointed by the Governor and ten members appointed by legislative leaders. The Council plays an important role in implementation of the Procurement Stewardship Act (State Finance Law, Article 11) and changes that are likely to occur when the Act is renewed in June of 2006 (the current expiration date). OGS also oversees implementation of the Preferred Source provisions of the State Finance Law (section 162) that exempts from the competitive bidding process certain organizations that employ persons with disabilities. The New York State Industries for the Disabled, Inc is the entity established to organize and coordinate no bid contracts for its member agencies.

EDUCATION DEPARTMENT AND ITS OFFICE OF VOCATIONAL AND EDUCATIONAL SERVICES FOR INDIVIDUALS WITH DISABILITIES (VESID)
www.usny.nysed.gov

The State Education Law gives the State Education Department (SED) Office of Vocational and Educational Services for Individuals with Disabilities authority to administer and regulate the Independent Living Program in New York State.

Department regulations Part 248 Service Centers for Independent Living set forth the basic conditions for Centers eligibility for financial assistance. The regulations specify the minimum services a Center shall provide, requires Centers to participate in uniform data collection and evaluation by SED, requires Centers to submit annual budget requests that shall include detailed estimates of expenditures in specified categories and establish minimum program and financial reporting requirements.

The Department administers approximately $10.7 million in State Independent Living funding for the operation of the Independent Living Centers. It dispenses these funds through contracts with the centers based on an annual budget from each Center.

Mr. Robert Gumson heads the Independent Living Unit within VESID. The Unit can provide guidance and support to Centers on program and financial matters. Mr. Gumson and the Unit staff can be reached at 518-474-2925.

COMMISSION FOR THE BLIND AND VISUALLY HANDICAPPED
www.ocfs.state.ny.us

The Commission for the Blind and Visually Handicapped (CBVH) is the organization within the Office of Children and Family Services responsible for provision of Vocational Rehabilitation services and other direct services to blind and visually impaired citizens of New York State. The Commission contracts with not-for-profit agencies for the blind for a wide range of rehabilitation services such as job training, placement and assistive technology.

CBVH also operates an Independent Living Program for individuals who are not eligible for vocational rehabilitation services and who are not receiving services through another CBVH Program. The program is designed to help individuals with low vision carry out day-to-day activities. This program provides services through not-for-profit private organizations and others who are certified as low vision specialists. These may include orientation and mobility services, rehabilitation teaching, low vision services and devices, social casework and adaptive equipment.

CBVH does not presently contract directly with Independent Living Centers. However, many of the services offered by Independent Living Centers could be offered directly to CBVH or as subcontractors to the not-for-profit agencies for the blind.

The Office of Children and Family Services has prepared a comprehensive Grantee Provider Manual available online at www.ocfs.state.ny.us (obtain a print copy by phone at 473-4474) that governs its contractual agreements with not-for-profits and others. This manual provides information common to all state agency contract requirements. It includes references to many sources of information such as state travel rates, lays out basic accounting requirements, offers guidance on using consultants and subcontractors, addresses topics such as Prompt Payment procedures and much more.

STATE LAW AND REGULATIONS

The conditions under which the State must operate when purchasing good and services are set forth in the State Finance Law, primarily, Article 11 of the State Finance Law commonly known as the Procurement Stewardship Act. These laws establish universal requirements for bidding, contract awards, contract terms, state approvals, monitoring and reporting. The State Education Law gives the Education Department regulatory authority for the establishment and operation of the Independent Living Centers. In funding the Centers operations the Department sets certain conditions (contract terms, records and reports) unique to the Centers.

STATE FINANCE LAW

The State Finance Law (SFL) can be accessed in its entirety via the Internet at http://public.leginfo.state.ny.us. Articles: 7- Accounts and Audits, 9- Contracts, 11-State Purchasing, (commonly known at the Procurement Stewardship Act) 11A -Interest Payments on Certain Amounts Owed by State and 11B Prompt Contracting and Interest Payments for Not-for-Profit Organizations contain basic financial requirements applicable to all contracts.

Article 7 – Accounts and Audits §112 Accounting systems/ approval of contracts.

This section of the Finance Law gives the State Comptroller authority to prescribe a system of accounting for all state agencies and requires that the Comptroller approve all contracts in excess of fifteen thousand dollars before they may be executed or become effective. The Comptroller must make a final written determination with respect to approval of a contract within ninety days of the submission of such contract.

Article 9 Contracts, §139-j and § 139-k.

These sections, effective January 1,2006, place restrictions on and require disclosure of, contacts by “offerers” (parties offering goods or services to a state agency in response to the agency RFP or bid solicitation) to the agency. A contact is defined as any oral, written or electronic communication with a governmental entity under circumstances where a reasonable person would infer that the communication was intended to influence the governmental procurement.

Each agency that undertakes a governmental procurement (RFP in excess of fifteen thousand dollars) must designate a person or persons who may be contacted by offerers relative to the procurement. Only the agency designee may be contacted by an offerer during the “restricted period”. The restricted period is the period of time commencing with the earliest written notice, soliciting a response from offerers that intends to result in a contract.

The agency must record all contacts and include that information in the procurement record.

Violation of the restriction will result in the offerer being ineligible for award of the subject contract. Any subsequent violation of this restriction in a period of four years will result in the offerer being ineligible to submit a proposal on or be awarded any procurement contract for a period of four years.

Finally, this section requires the agency to make a final determination of responsibility of the proposed contract awardee. More about Vendor Responsibility requirements in the discussion of Article 11.

Article 11 State Purchasing § 161 State Procurement Council

This section establishes the State Procurement Council chaired by the Commissioner of the Office of General Services. Among other things the Council is empowered to: establish and, from time to time, amend guidelines for the procurement of commodities, services and technology in accordance with the provisions of Article 11 of the State Finance Law. Such guidelines shall ensure the wise and prudent use of public money in the best interest of the taxpayers of the state; guard against favoritism, improvidence, extravagance, fraud and corruption; and ensure that service contracts are awarded on the basis of best value. Article 11 is scheduled to expire on 6/30/06. The Council among many others has made recommendations for change that are under consideration by the legislature. One of the most significant changes proposed is increasing the threshold for State Comptroller approval of contracts from fifteen thousand dollars to fifty thousand dollars.

Article 11 State Purchasing § 162 Preferred Sources

To advance special social and economic goals, this section gives selected providers preferred source status for the purposes of agency procurements. These providers are exempt from the competitive procurement provisions of section 163 of Article 11. Seven categories of preferred source providers are established in this section: Department of Correction services' correctional industries program, qualified not-for-profits for the blind, special employment programs serving the mentally ill which are operated by the Office of Mental Health, qualified not-for-profits for severely disabled persons approved by the Commissioner of Education, qualified veterans workshops operated by the Department of Veterans Affairs, certain qualified apparel manufacturers on the special September eleventh bidders registry and qualified not-for-profit workshops for veterans approved by the commissioner of Education.

OGS maintains a list of services and commodities provided by preferred sources. Industries for the Blind, Inc. and NYS Industries for the Disabled, Inc. are the facilitating agencies for distribution of orders among qualifying not-for-profit agencies for the blind and qualifying not-for-profit agencies other severely disabled and the veterans' workshops.

This preferred source status represents an opportunity for not-for-profits including Independent Living Centers to market services to public entities either directly or through subcontract arrangements with other preferred source providers. Centers should assess the range of services they provide or might provide to state agencies and consider marketing those services through this vehicle. There are several state agencies (Health, OMH, OMRDD, Aging, CBVH and others) that seek services for the people they serve, services that are the specialty of IL Centers such as benefits counseling.

Article 11 State Purchasing § 163 Purchasing Services and Commodities

Priority order for purchase of services
This section establishes a priority order for purchase of services and commodities that accords first priority to preferred sources, second priority to centralized contracts established by OGS and third priority to agency established contracts.

Commodities contracts must be awarded on the basis of lowest price and service contracts must be awarded on the basis of best value (in both cases to a responsive and responsible offerer).

Contract buying thresholds
Discretionary buying thresholds are set as follows: The Commissioner of OGS may purchase services and commodities not exceeding fifty thousand dollars without a formal competitive process; State agencies may purchase up to fifteen thousand dollars without a competitive process, and State agencies may purchase services and commodities from small business concerns or certified minority or women owned business up to fifty thousand dollars without a competitive process

Contract Reporter
All procurement by state agencies in excess of fifteen thousand dollars must be advertised in the State's procurement opportunities newsletter the Contract Reporter fifteen days prior to the due date of proposals. Access to the Contract Reporter subscription page is at www.nyscr.org.

This is an opportunity for ILCs. A subscription monitored closely will reveal new contract opportunities.

Vendor Responsibility
Section 163 (9) f of the SFL requires each state agency to make a determination of responsibility of the proposed contractor prior to making a contract award with a value of $100,000 or more. Each state agency must undertake an affirmative review of the responsibility of any contractor to whom they propose to make a contract award. The word responsibility has been taken

to have a broad meaning. The courts have indicated that responsibility is an elastic word encompassing factors including financial ability to complete the contract, accountability, reliability, skill, sufficiency of capital resources, judgment, integrity and moral worth. Contractor responsibility is a question of fact to be determined on a case-by-case basis. In each case the state agency must affirmatively require disclosure by the proposed contractor of all information that the agency reasonable deems relevant. In addition, the intended contractor must complete and submit the State of New York Vendor Responsibility Questionnaire. The state agency is required to furnish the state comptroller a copy of the questionnaire, a vendor responsibility profile and an agency certification as a part of the contract package offered for final approval. The State Comptroller's Bulletin No. G-221 details standards and procedures for state agencies. It is available at www.osc.state.ny.us/agencies/gbullg221.htm .

Single or Sole Source

Single or sole source procurements for services or commodities may be made without a formal competitive process when the agency can document and justify to the State Comptroller the reasons for doing so. Single and sole source are defined in the Procurement Council Guidelines as follows: A Single Source procurement is one in which two or more vendors can supply the commodity, technology and/or perform the services required by an agency, but the State agency selects one vendor over the others for reasons such as expertise or previous experience with similar contracts. A Sole Source procurement is one in which only one vendor can supply the commodities, technology and/or perform the services required by an agency.

Article 11A Interest Payment on Certain Amounts Owed by State

This section of the law provides for payment of interest to any contractor who has provided goods or services under contract to a state agency, submitted a proper invoice (complete as to form and content and with supporting documentation as reasonable required by the state comptroller or state agency) where the state fails to make payment by the required payment date. The required payment date is thirty calendar days, excluding holidays after receipt of a proper invoice for the contract payment due. Certain exceptions to the thirty day payment rule include: state fund appropriations have yet to be enacted into law, the cash balance of the fund is insufficient, the invoice must be examined by the federal government.

The State agency has fifteen days after receipt of an invoice to notify the contractor of any defects in the invoice, the delivered goods or services or suspected improprieties. If defects are found and the contractor is so notified the thirty-day payment period is suspended.

Interest is calculated from the day after the required payment date to the actual payment date at a rate set by the Commissioner of Taxation and Finance and in effect on the date when the payment is made.

Article 11B Prompt Contracting and Interest Payments for Not-for-Profit Organizations

It is the intent of the State to execute its contracts with not-for-profit organizations in a timely manner so as not to disrupt services that they provide or cause financial hardship to those organizations. This section of the law sets down the requirements for state agencies to execute new or renewal contracts promptly and provides for Advance payments pending execution of renewal contracts if such contracts are not fully executed by the commencement date of the contract.

Subsections 179-s and 179-t respectively set time frames for implementation of new programs and renewal contracts.

For new programs where an RFP is used, the state agency has no more than 150 days from the date the appropriation for the program becomes law to execute contracts with not-for-profit organizations. Where an RFP in not the method of contracting the state agency has no more than one hundred twenty days from the date the appropriation becomes law to execute the contract. The Attorney General and the Comptroller each (consecutively) have fifteen days to approve or disapprove the contract executed by the state agency.

For renewal contracts the state agency is required to notify the not-for-profit organization of its intent to renew or terminate the contract no later than ninety days prior to the end of the contract or thirty days after the appropriation funding the continued payment becomes law whichever is later. Upon notification of intent to renew the state agency must negotiate a renewal contract and issue a “written directive” to the not-for-profit organization. The written directive authorizes the organization to begin or continue providing services during the negotiation of the new or renewal contract.

The state agency must submit renewal contract to the attorney general no later than sixty days prior to the commencement date of the contract. The Attorney General then has fifteen days to approve or disapprove followed by fifteen days for the Comptroller to approve or disapprove.

Advance payment §179-U A not-for-profit in receipt of a written directive in entitled to an advance payment pending execution of the renewal contract if such contract is not fully executed by the commencement date of the contract. The written directive specifies the dollar amount and the period covered by the advance payment.

Interest payments §179-V Not-for profits are entitle to interest payments A) on money due on the contract or renewal contract from the scheduled commencement date or the date the organization begins to provide services, whichever is later, until the date of payment under the contract or B) if the not-for profit borrows money to provide services pursuant to a written directive and the not-for-profit has been denied advance payment.

Not-for-Profit Short-Term Revolving Fund §179-Z This is a little known and little used source of interest free funding for not-for-profits. The Comptroller can make interest free loans to any not-for-profit in receipt of a written directive that cannot provide or continue services without a loan from the fund.

The availability and use of the Advance Payment Option, discussed above, is likely the primary reason that this funding is not often used. Secondarily, the short-term loan fund requires a time consuming (thirty to 60 day) application and approval process and limits the amount of the loan to one half of the first quarter payment. Finally, most organizations have a line of credit that gives more timely access to funds and they can receive interest on late payments from the state if an advance payment has been denied.

Not-for-profits should, however, be aware of this option and consider its use whenever a state agency is unable to make advance payments and available commercial credit costs are high.

State Comptroller's regulations Parts 22 and 23 guide the implementation of these provisions

STATE EDUCATION LAW

Articles 21 Vocational Rehabilitation authorizes the State Education Department (SED) to supervise and monitor centers for independent living (§1004.8).

Article 23-A §1122 Service Center for Independent Living requires the Department to ensure program accountability and to monitor and evaluate the centers. The law is no more specific than this on supervising, monitoring or program accountability. That is left to the Department to establish in its regulations, policy and program instructions. Section 1121 Purpose and Duties provides that Centers shall: 1) be not-for-profits with boards comprised of at least fifty-one percent persons with disabilities 2) be staffed by persons experienced in assisting persons with disabilities 3) provide services that include assisting persons with disabilities obtain housing, employment referral, independent living skills, peer counseling, advocacy, job training, health care, homemaker services and other such services approved by the Commissioner 4) train personnel for the purpose of attendant care and 5) serve persons with disabilities. Centers are prohibited from establishing or operating residential or housing facilities.

No duplication of services

One important fiscal provision in the State Education Law that Centers should be aware of is §1121.3. It requires centers to make maximum use of existing resources available to persons with disabilities and prohibits Centers from duplicating any existing services or programs available through other state resources. Should Centers use their operating funds for services available through other state funded sources they could jeopardize their funding.

These sections of the Law and the Independent Living Regulations are posted for easy reference on the Education Department VESID website at www.vesid.nysed.gov/lsn/ilc/toolbox.htm.

SED REGULATIONS PART 248 SERVICE CENTERS FOR INDEPENDENT LIVING

To be eligible of financial assistance a Center must:

- Provide services from facilities that are free of barriers (architectural or communication)
- Provide services with staff that SED determines to be qualified
- Provide services designed to meet the needs of disabled persons (from a list of 12 in the regulation)
- Participate in uniform data collection and program evaluation and
- Allow SED access to all records of the Center and be subject to financial and/or program audits

To receive financial assistance a Center must:

- Budget: Submit an annual budget on the date and forms prescribed by SED. The budget must include detailed estimates of expenditures among 11 budget categories listed in the regulation. SED has a standard Budget Summary form for this purpose that is available on its Independent Living Toolbox web page (above).
- Narrative Report: Submit an annual narrative information report on a date and in a form prescribed by SED. In addition to program service data such the number of people served, and the impact on the community this report must include progress in developing fundraising. It is the obligation of each Center to engage in resource development.

Withhold or Recover funds: In the event that SED determines that a center is not proceeding in a reasonable fashion to meet its contractual obligation, SED may withhold or recover all or a portion of it allocated funds.

Reporting: The Centers must submit to SED:

- Quarterly reports on a date and in a form prescribe by SED. These reports are currently limited to the quarterly payment vouchers (State Standard Voucher) and supporting Quarterly Contract Expenditure Report.
- A final report not later than 30 days after completion of the project year in a form prescribed by SED. This report is primarily a program report addressing center objectives and accomplishments (form on VESID website noted above).
- Annual financial statement examined and certified by a licensed accountant. This is what is commonly referred to as the annual audit report. The governing body of the center must review and act upon recommendations of the accountant.

OPPORTUNTIES –CONTRACTS, GRANT AND E-PAYMENTS

When program growth or expansion are a part of an organizations annual and multi year business planning cycle the organization is then in a position to react when opportunities are presented. State agencies frequently offers new contracts or grants that give IL Centers opportunities to grow existing programs or services or to move into new service area. Centers must be on the alert for these new funding opportunities. The following agencies, whose mission it is to serve individuals with disabilities, frequently seek to employ the services of not-for-profit organizations with contract and grant opportunities

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

www.ddpc.state.ny.us

The New York State Developmental Disabilities Planning Council (DDPC) is a federally funded state agency. The DDPC is responsible for developing new ways to improve the delivery of services and supports to New Yorkers with developmental disabilities and their families. The Council focuses on community involvement, employment, recreation and housing issues faced by New Yorkers with developmental disabilities and their families.

The DDPC works for systems change through grant programs that fund such activities as: demonstration programs, training for families and staff, outreach to unserved /underserved populations, support to communities and more.

The DDPC website (noted above) is an excellent source of general information on disability community issues and events (e.g. Medicare updates, Social Security updates, conferences, training opportunities) and contains a Request for Proposals section that should be monitored by closely by IL Centers. At the time of this writing the DDPC site contained an RFP for the Cross-System Training on Partnerships with Independent Living. This was an offer of $50,000 to develop and conduct a train the trainer program on understanding of the Independent Living philosophy and nursing home transition and diversion issues.

OFFICE OF MENTAL HEALTH

www.omh.state.ny.us

The Office of Mental Health (OMH) describes its mission or responsibility as - promoting the mental health of all New Yorkers. OMH serves 500,000 persons each year, operates psychiatric centers across the State, and oversees more than 2,500 programs, which are operated by local governments and not-for-profit agencies. A fundamental component of the OMH mission is "Recovery" - the process of gaining control over one's life in the context of personal, social and economic losses that may result from the experience of psychiatric disability.

The common thread of the OMH mission and that of the Independent Living Centers, assisting individuals to achieve control and independence, provides the

Independent Living Centers with many opportunities to serve the OMH population through contracts or grants from the Department or subcontracts with other OMH service providers.

The OMH website (above) provides a wide range of information. The OMH Comprehensive Plan is posted, provider guidance documents on topics such as Consolidated Financial Reporting are available and information on initiatives such as the Governor's 2006/07 Budget Recommendation of $1.5 million for suicide prevention are included. Finally, contract and grant opportunities are found by going to the home page and doing an RFP search.

OFFICE OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES
www.omr.state.ny.us

The Independent Living Centers share much of their mission with The Office of Mental Retardation and Developmental Disabilities (OMRDD). The OMRDD mission statement includes the following: To develop a comprehensive, integrated system of services which has as its primary purposes the promotion and attainment of independence, inclusion, individuality and productivity for persons with mental retardation and developmental disabilities; to serve the full range of needs of persons with mental retardation by expanding the number and types of community based services ... and to improve the equity, effectiveness and efficiency of services for persons with mental retardation and developmental disabilities by serving persons in the community …

OMRDD operates 13 Developmental Disabilities Services Offices (DDSOs) responsible for providing such programs. It is the DDSOs that oversee the community programs, manage and monitor grants and contracted services. Centers should establish and maintain close relationships with their DDSO and monitor the department site

HEALTH DEPARTMENT
www.health.state.ny.us

The Health Department has a primary interest in and responsibility for the health and wellness of individuals with disabilities in New York and has taken an active role in addressing the needs of individuals with disabilities. The Department has promoted programs and services such as: Nursing Home Transition and Diversion, TBI Home and Community Based Services Waiver, Medicaid Buy-in, and Benefits Counseling Services. Several IL Centers have taken part in these and other programs and services through grants and contracts offered by the Department.

The Department has a Grants/Funding Opportunities section on its web site at www.health.state.ny.us/funding/ that IL Centers should monitor.

NYS DIVISION OF HOUSING AND COMMUNITY RENEWAL (DHCR)
www.dhcr.state.ny.us

The DHCR mission is to make New York State a better place to live by supporting community efforts to preserve and expand affordable housing, home ownership and economic opportunities, and by providing equal access to safe, decent and affordable housing. Opportunities for funding to assist individuals with disabilities secure or maintain accessible and affordable housing are available through DHCR. For example, DHCR administers the Access to Home Program to provide financial assistance to property owners to make dwelling units accessible for low and moderate income persons with disabilities. This assistance is intended to enable individuals with disabilities to safely and comfortably continue to live in their residences and avoid institutional care. Grants under this program are made to eligible not-for-profit entities that have substantial experience in adapting or retrofitting homes for persons with disabilities. The DHCR website (above) contains notices of funding availability.

NYS OFFICE FOR THE AGING (SOFA)
www.aging.state.ny.us

The mission of the Office for the Aging is "...to help older New Yorkers to be as independent as possible for as long as possible through advocacy, development and delivery of cost-effective policies, programs and services which support and empower the elderly and their families, in partnership with the network of public and private organizations which serve them." SOFA and it 59 local offices administer a number of programs and services for older New Yorker with disabilities. One important program in which SOFA has been an important partner is the federal Real Choice Systems Change initiative. These grants are designed be a catalyst for effective and enduring improvements in community-based long-term support systems for people of all ages with a disability or long-term illness. In this program begun in 2001, SOFA partnered with the Department of Health and solicited applications from local Agencies on Aging, local Social Services Districts and Independent Living Centers throughout the state.

Centers should regularly (at least monthly) monitor individual state agency web sites as they are likely one of the first places that agencies announce new program initiatives and the availability of funding through contracts or grants. Centers should keep a list of agency sites and assign responsibility for checking these periodically for new funding opportunities.

CONTRACT REPORTER

All state agencies are required to announce new contract and grant opportunities in the Contract Reporter at least 15 days prior to the date any submission would be due. The New York State Contract Reporter is the official weekly newsletter for announcements of contracting opportunities in an amount of $15,000 or more. Announcements may be made sooner by the state agencies through other means but the Contract Reporter is required.

See the website www.nyscr.org for information on the Contract Reporter. A 30-day free trial subscription is available.

NEW YORK STATE GOVERNMENT INFORMATION LOCATOR

One excellent source of information is the New York State Government Information Locator Service at www.nysl.nysed.gov/ils/. Select search by Subject and then select Grants and this site links you to available grant information from the State Education Department, the Health Department, the Office of Temporary and Disability Assistance and many more.

NEW YORK STATE CITIZENS GUIDE

The New York State Citizens Guide at www.nysegov.com/citguide.cfm contains three pages of state agency website links, many that containing funding opportunities.

The following are the agency sites that should be included in a center's standing checklist:

- www.nysl.nysed.gov/ils/topics/grants Information on Grants Available in New York State
- www.otda.state.ny.us/cgo/default/html Office of Temporary and Disability Assistance
- www.oasis.state.ny.us/hps/grants.htm Office of Alcohol and Substance Abuse Services
- www.grants@assembly.state.ny.us New York State Assembly
- www.ocfs.state.ny.us/main/bcm Office of Children and Family Services
- www.ddpc.state.ny.us Developmental Disabilities Planning Council
- www.vesid.nysed.gov/rfp/home/html VESID Grant Procurement Opportunities

MEMBER ITEMS

The phrase Member Item refers to funding sponsored by an organization's senator or assemblyman, appropriated by the legislature and earmarked for the subject organization and particular purpose. Members of the legislature look for opportunities to support needed community programs and services and community based organizations with a strong reputation of service and fiscal integrity. This funding is typically a one-time grant. Once a community based organization's reputation is established and the need is well defined a proposal can be developed and presented to a member for sponsorship.

A proposal should be concise (one or two pages) and compelling, demonstrating the impact the proposed funding would have on the organizations ability to serve the community and how individuals with disabilities would benefit. Meet with the member or the member's staff to present the proposal and receive feedback. If the proposal is accepted, it is important to maintain regular contact with the member's office. Check in to see if everything is on track. You should not be surprised if it takes 2-3 years to see an item materialize. The ability of a member to secure funding is influenced by many factors, among them are; overall funding available, funding priorities and the member's position on related committees

Member Items are executed in the form of a contract handled by the state agency having responsibility for the subject program or service provider. Since this is dedicated funding the competitive selection process (RFP, bidding) is eliminated. The State agency uses the authorizing legislation to determine conditions of the funding and requires the provider to submit a plan and budget for the use of the funding. A contract is then executed incorporating the terms of the authorizing legislation and all applicable standard state contract terms and conditions. The organization must take care to understand the authorizing legislation and contract terms and to execute the contract accordingly. Standard vouchers and expenditure reports are required to claim the funding.

ELECTRONIC PAYMENTS

Electronic payments are made available to not-for-profits and others by the Office of the State Comptroller to improve efficiency and security of payment processing. Once enrolled in the E-payment system payments are made by electronic transfer to a designated bank account eliminating paper checks and the delay and risks associated with checks and the mail services. Electronic notification can give advance notice of payment, remittance advice and payment reference from your bank that contains a trace number that identifies the payment.

This payment device should be employed wherever possible to expedite receipt of payment and add security to the payment processing. For details on this option visit http://www.osc.state.ny.us/epay/about.htm.

INTERNAL CONTROLS

While there are many sources of information on the topic of Internal Controls, there is no single source of authority on Internal Controls and there is no specific state set of requirements for a system of Internal Controls. However, there is no more important a component of financial management than the creation and maintenance of an effective system of Internal Controls.

SED and all other state agencies expect Centers to employ internal controls to protect public resources. VESID, in its Program Review and Contract Monitoring Protocol, states that one of the purposes of it onsite review is to assure that Centers maintain "...appropriate fiscal internal controls and practices...". State agencies often refer to maintaining records consistent with generally accepted accounting practices, and they look for evidence of controls such as countersigned checks, separation of duties, limited access to assets but they do not specify what must be done.

So what is a good system of Internal Controls and what is right for any given Center?

Internal Controls are the system of policies and procedures put in place to protect the assets of an organization, assure compliance with laws and regulations, to produce accurate reliable financial reports and to promote accomplishment of the organization's mission.

The system of controls in any organization may be simple or complex depending on the needs of the organization. Every control put in place has a cost and a benefit. When designing a control system the organization must measure the risk associated with the lack of control (undetected errors) and the cost of imposing a control. Therefore the system of control that is best for any organization is the system designed for that organization based on a thorough examination of its functions and the risks inherent in each function. The system of controls must be documented in a fiscal policies and procedures manual, reviewed and approved by the board and must be reassessed periodically not less than annually. The controls system must also be made a part of staff training an evaluation.

Centers may want to turn to experts for help in establishing or updating their Internal Control systems. Several not-for-profit associations offer guidance, the state Attorney General has issued Internal Controls and Financial Accountability for Not –for-Profit Boards available on the web at www.oag.state.ny.us/charities/charities.html . State agencies such as VESID may offer guidance on request and your CPA can conduct a risk assessment and offer recommendations. The American Institute of Certified Public Accountants web site also contains a valuable discussion of internal control concepts at
http://www.aicpa.org/audcommctr/toolkitsnpo/Internal_Control.htm

The following is a summary of the common elements of a sound Internal Control system:

- The board members are trained on their fiduciary responsibility to the organization.
- The board has a finance committee with specific responsibility to review and approve: the fiscal procedures manual, monthly financial reports, annual audits and management letters, budgets, contracts and grants, and the overall system of internal controls.
- A written fiscal policies and procedures manual.
- Annual income and expense budget with periodic (monthly) reporting of results versus plan
- Separation of duties for critical functions such as receiving, recording, and depositing receipts, authorizing purchases and making and recording payments, recording expenditures and reconciling accounts. An individual should not have responsibility for more than one of the three transaction components: authorization, custody and record keeping
- Inventory record keeping and disposition procedures
- Written job descriptions for all employees
- Written personnel policies

- Conflicts of interest policy and code of ethics
- Authorization procedures to establish appropriate authority for approval of transactions commensurate with the nature and significance of the transactions. Includes required review of supporting information to verify propriety of transactions
- Physical restrictions limit access to assets and data
- Document and record retention policy
- Monthly reconciliation of bank accounts
- Monthly financial reports to the board and others
- Regular training for employees

There is no such thing as a perfect Internal Control System. Staff limitations may make it difficult to separate duties. Human error, misunderstanding, stress can result in control failure. Therefore, controls should be periodically tested to insure that they operate as intended.

FINANCIAL POLICIES AND PROCEDURES MANUAL

The board should authorize and approve a Fiscal Policies and Procedures Manual that sets forth how the organization manages its finances, protects its resources, assures compliance with laws and regulations and promotes accomplishment of it mission. The board treasurer should coordinate the board's responsibility for the manual, including its regular review and update. The board and chief executive should make every effort to ensure compliance to the procedures in the manual. The manual should address the following topics at a minimum:

- Board Responsibilities.
- The type of accounting system and recording of financial transactions
- Chart of Accounts
- System of Internal Controls
- Budgets and financial planning
- Financial Reporting
- Receivables and Payables
- Purchasing/Expenditure control
- Petty Cash
- Time and Attendance
- Payroll
- Banking
- Insurance
- Inventory
- Investment policy
- Equipment
- Records Retention
- Taxes
- Training
- Travel
- Audits

A written fiscal policies and procedures manual is one of the fundamentals of fiscal control and accountability. A manual that is thorough, made a part of everyone’s training, reviewed and updated periodically and reflected in the organizational environment sets a tone for fiscal accountability and integrity. It is what the CPA or external auditor look for first. It is what management uses to train and guide staff, monitor operations and maintain control. It is what the board uses as a reference to test controls and obtain accurate reliable feedback in the form of financial plans, budgets, and financial reports.

The fiscal policies and procedures manual must be more than a static document on the shelf. It must be a working tool used by the board, management and staff on a regular basis.

BOARD OF DIRECTORS RESPONSIBILITIES

The State Education Department has the legal authority to administer the Independent Living Program in New York State. As such SED has taken a strong interest in the governance of the Centers, offering written guidance for Boards of Directors, training and orientation for board members and conducts onsite Program Reviews that include an assessment of board governance, policy and practices.

The Board of Regents issued a Statement on the Governance Role of a Trustee or Board Member in November of 2001 to assist board members in exercising their responsibilities. It includes the following list of Best Practices for Boards to Follow and Top Ten Warning Signs:

Best Practices for Boards to Follow

1. Be informed of the institution's activities by:

- Discussing operations with board members and officers.
- Reviewing materials provided by the institution.
- Actively participating in meetings of the board and the committees.
- Asking questions and obtaining an understanding of the issues facing the institution.

2. Establish an audit and finance committee with responsibility to periodically meet with management and the auditors to consider:

- The adequacy of internal controls and financial reporting processes, and the reliability of fiscal reports.
- The independence and performance of the internal and external auditors.
- Steps taken by management to address audit report findings.
- Compliance with legal and regulatory requirements.
- Steps taken by management to minimize significant risks to the institution.

3. Ensure the institution is carrying out its purpose without extravagance or waste and is not engaging in any questionable or illegal activities by:

- Requiring management to provide periodic reports on how well the institution is fulfilling its mission and the activities accomplished for the period.
- Approving strategic plans, budgets, policies, plans of operation, development plans and goals, contracts, key financial and program reports, and other items.
- Holding the chief executive officer accountable for results.
- Being involved in the selection and compensation of the chief executive officer.

- Using good judgment in analyzing matters that may impact the institution.

4. Monitor the financial condition and management practices of the institution by:

- Reviewing periodic fiscal reports, financial statements and tax returns.
- Ensuring reserve funds are used for their intended purposes.
- Verifying fund raising expenses are reasonable in relation to the amount of fund raising revenue generated.
- Ensuring net assets are positive, but not excessive.
- Verifying any deficits are being addressed with remedial action.
- Ensuring records are complete and accurate, and required reports are filed with federal and state agencies.

5. To help ensure effectiveness, trustees/board members need to address the following, consistent with statute:

- Consist of minimum of five voting members who are independent.
- Meet at least twice a year, and more often as needed or required by statute.
- Keep complete and accurate minutes of all meetings.
- Not compensate their members for services in their role as trustee or board member (see note below).
- Develop a training program for both new and experienced board members.
- Seek expert advice when needed.
- Avoid any conflict of interests or even the appearance of a conflict and maintain a conflict of interest policy for board members and employees.
- Require each member to file an annual written disclosure of any business involvement with the institution or related parties.
- Assess the need for liability insurance to protect board members and officers from legal liability.
- Ensure their processes for selecting new members result in diversity of viewpoints and seek out individuals with commitment, skills, life experience, background, and other characteristics that will serve the institution and its needs.

NOTE: Reimbursement for expenses in the ordinary course of business does not constitute compensation. Trustees/board members who also serve as officers may receive compensation in their role as an officer (e.g., treasurer, secretary).

Top Ten Warning Signs for Boards

1. Lack *of* available documentation on the organization- by-laws, charter, mission statement, organization chart, prior year financial statements.
2. Lack *of* independent attitude or excessive conflict among trustees/board members.
3. Infrequent board meetings. Absence *of* board minutes.
4. Poor board attendance at meetings.

5. Lack *of* access to key information, fiscal, budget, program, and operations.
6. Lack *of* access to the chief financial officer.
7. Existence *of* conflict *of* interest relationships or less than arm's length transactions between the institution's board members and organizations that conduct business with the institution.
8. Lack of internal financial controls and written policies and procedures to safeguard promote, and protect the organization's funds and other assets. Lack of fidelity bonds.

9. Lack of involvement in the hiring of key employees.
10. Failure to file documents with key control agencies such as the NYS Education Department, Internal Revenue Service, and NYS Department of Taxation and Finance.

There is a great deal of guidance available to not-for-profit boards on the Internet and through organizations and associations such as the NYSILC, NYAIL, NCIL, National Center for Nonprofit Boards www.ncnb.org, the Nonprofit Resource Center www.not-for-profit.org and the Alliance for Nonprofit Management www.allianceonline.org/faqs.html.

Independent Living Center boards must pay close attention to the fiscal strength and integrity of the Center. It is best if the board meets monthly but it is very important that the finance committee of the board meet monthly to review the monthly financial reports and consider any other fiscal concerns facing the organization. The Committee should examine all monthly financial statements that should include the Balance Sheet, Statement of Functional Expenses, Cash Flow, and Change in Fund Balances.

Boards should also established and maintain an executive search/recruitment plan for key leadership positions in the organization such as Executive Director. This can save valuable time and avoid common control failures.

The Finance Committee should work closely with the Executive Director and the Chief Fiscal Officer of the Center. They should review and approve a Financial Procedures Manual for the Center. They should review and approve the annual operating budget and compare actual expenditures to budget on a monthly basis and monitor overall financial performance. They should review the annual audit and management letter and consult with the auditors as needed. They should periodically review the system of internal control.

As a final note there is one condition in Law regarding Independent Living Center Boards of Directors that must be met at all times. State Education Law Article 23-A §1121(a)(1) requires that persons with disabilities comprise at least fifty-one percent of the membership of the board of directors of the Independent Living Centers.

RECOMMENDED ACCOUNTING AND FINANCIAL RECORD KEEPING PRACTICES

There are no specific accounting or record keeping practices dictated in state law that Centers must follow. However, there are regulations, contracts, and directives or instructions issued by state agencies. In this section we will address several common elements of the accounting and record keeping process and note where there is a conditions set by a state agency.

Before we discuss specifics however lets take a moment to consider the broader concepts and concerns related to accounting and record keeping.

INVEST IN ACCOUNTING/FINANCIAL MANAGEMENT RESOURCES

The Board

Accounting and financial management skills can be the most important resource in the long-term financial health of your organization. Each Center should recruit individuals with accounting and financial management skill to serve as board treasurer. An active treasurer will help a Center avoid financial pitfalls and achieve financial strength.

Internal Accounting Resources

Next, a Center needs strong internal accounting and bookkeeping skills. Use the CPA to help design the Center's bookkeeping and accounting system and the system of internal controls and review these systems periodically (at least annually) to make adjustment necessitated by changing conditions and growth. Perhaps the most important next step is to invest in your organization by recruiting a trained and experienced accountant/financial manager for the Center to operate and oversee the accounting and financial affairs of the Center.

Document and Train

Document financial policies and procedures in a Fiscal Policy and Procedures Manual, approved by the board and made available to all staff. Use the manual to train all staff on the concepts and specifics of internal control and train staff concerned with bookkeeping or accounting on all financial policies and procedures.

RECORDS AND RECORDS RETENTION

Most agency requirements for contractor or grantee records are found within the contract or grant document. Typically contractors are required to maintain records in a manner consistent with generally accepted accounting principles (GAAP). GAAP is a widely accepted set of rules, standards and procedures for recording and reporting financial information established by the Financial Accounting Standards Board.

Contract requirements for accounting records can vary greatly. For example, a county contract with a Center for the Disability Navigator Program simply requires maintenance of records, specific to the project, to account for staff time, wages, benefits, services and other costs covered by the contract. These records must be maintained for a period of six years from the date of any final close out and any outstanding litigation, audit or claim has been resolved. A state contract with a Center for the Help America Vote program requires records to be maintained in accordance with generally accepted accounting principles and retained for a period of three years after the end of the fiscal year during which the funds were expended or until an audit by agency has been conducted.

The State Education Department issued this general rule in its Policy Advisory # 01-01: "Supporting documentation must be retained for the current year plus six years unless otherwise required by specific program requirements. Audit or litigation will "freeze the clock" for records retention purposes. Supporting documentation related to an issue under audit or litigation must be retained until resolved."

Each contract or grant should be reviewed carefully to identify any specific record keeping, record retention and reporting requirements. It is always a good practice to retain records for at least seven years.

COMMON RECORD CHARACTERISTICS AND PRACTICES

- Records must maintain a separate identity for each contract or grant
- Records must identify all funds received under each contract or grant and all disbursements made under the contract or grant.
- Records of revenue and expenses must be supported by documentation such as cancelled checks, band statements, deposit slips, invoices, time sheets, purchase receipts, travel receipts.
- Employee time records must reflect the period covered, have signatures of the employee and supervisor and distribute activities where the employee works on separately funded projects.
- Records must identify the use of funds for contract purposes.
- Records must show a clear audit trail for all funds received and disbursed.
- Records must include a complete and current inventory of equipment purchased.
- Individuals responsible for maintaining the books of account should not have authority for authorizing expenditures or signing checks

REVENUE AND EXPENSE

All financial records should conform to the Generally Accepted Accounting Standards (GAAP) as they apply to not-for-profits. The accountant that conducts the annual audit will examine the financial statement, test the accounting records and the system of internal controls to determine whether the organization's accounting and record keeping practices meet this standard. The organizations external accountant/auditor can provide advice and guidance and training to Center staff if needed.

Government contracts and grants typically require fund type accounting records. That is, a set of accounts that separately tracks revenues, expenditures and the fund balance for each particular program funded. If separate fund accounting records are not required or maintained the accounts must provide a means to identify and report all revenue and expense against the program approved budget.

The first rule is knowing what is required. Examine the RFP or other solicitation document issued by the funding agency. This will often contain minimum finance or accounting standards or reference law, rule, regulation or administrative and financial guide that must be complied with. The contract or grant itself should also be reviewed carefully for any specific terms or conditions regarding accounting or record keeping requirements. Most often state agency contracts will use general statements such as ...the contractor must comply with relevant laws, rules, regulations and administrative and fiscal guidelines. In this case you should ask the agency to specify the relevant laws, rules, regulations and guidelines.

Know the purposes for which the contract or grant funds may or must be used

Know the restrictions or limits that are placed on the funds.

An important provision in all SED Independent Living contracts is in Appendix A-1 paragraph A. It states: “In the event that Contractor shall receive, from any source whatsoever, sums the payment of which is in consideration for the same costs and services provided to the State, the monetary obligation of the State hereunder shall be reduced by an equivalent amount ...”.

Once the contract or grant is received all revenue and expenses associated with that program must be recorded in the books of account immediately. Records must identify the source of revenue or purpose of expense. The Center finance policies and procedures manual should be the guide for documenting and recording revenue and expenditures.

At a minimum, all revenue received must be safeguarded and recorded immediately.

- Cash must be accepted only by designated employees.
- All cash received must be documented by receipt in duplicate. Receipt must state date, amount, payer, and purpose of payment. Funds and duplicate receipt must be given to the person designated to safeguard cash and make deposits. A copy of the receipt must go to the bookkeeper.
- Cash receipts should be deposited daily.
- Checks and any other forms of revenue received should be restrictively endorsed immediately, recorded (date, amount, check number, payer, purpose) and given to the person designated to safeguard and deposit revenue. The record of receipt must also go to the bookkeeper or accountant.
- The bookkeeper must record all revenue so as to identify the contract or grant with which it is associated and the program and activity that generated the revenue

All expense incurred must be properly authorized, in accordance with the approved budget, documented and recorded immediately.

PURCHASING/BIDDING

State law and regulations do not specifically dictate conditions for IL Center purchasing practices under their contracts. State agencies however, have established some conditions governing purchasing practices that IL Centers must meet. These requirements are found in either the contract/grant document or in written directives or instruction given to contractors.

State agencies expect contractors to establish and maintain a good system of **internal controls** over their purchasing practices. That is expected and demanded as a part of the **Vendor Responsibility** requirements. Question 23 of the State Vendor Responsibility Questionnaire for example asks if any audits have revealed material weaknesses in the contractors system of internal controls in the past three years.

Required Competitive Bidding

One of the controls that state agencies require is a **competitive bidding process** for purchases that exceed certain cost limits. Both VESID and the CBVH require competitive bidding for purchases that exceed $5,000. This is the common threshold used by most agencies.

Common Bidding Requirements

- At least three written bids must be obtained.
- The purchase must be made from the lowest responsible bidder meeting the specification of the bid solicitation.
- Late bids must be rejected.
- Bids must be publicly opened at a time and place indicated in the bid solicitation.
- Bids must be tabulated for the record.

Purchasing Practices

The following are recommended components of a sound purchasing procedure:

- Purchasing procedures should be established in the Center's financial policies and procedures manual.
- No purchased should be authorized or executed until the funding source is established. For example, if the purchase is associated with a state contract or grant, the contract must be fully executed or a written directive from the state agency must be in hand.
- No purchase should be authorized or executed unless it is in accordance with the approved budget.
- All purchases should be initiated using a requisition or purchase order and approved by an individual designated with the authority to approve such purchases

- Purchases that exceed certain predetermined limits such as $500 require a second signature of approval.
- Competitive bidding is used to secure the best price for items over a certain limit established by the board of directors within the limits set by the state.
- Price quotes should be obtained for intended purchases expected to exceed specified limits such as $500 not requiring formal bids.
- Use a tax-exempt certificate where appropriate.
- Goods and services purchased should be documented when received. Any issues with quantity or quality of the goods or service should be documented immediately and reported the provider and the individual designated to process payment for the Center
- Billing (invoice for goods or services) must be reconciled to the purchase order and receiving report and any discrepancies resolved. The invoice should then be approved for payment by an individual other than the individual initiating the purchase or the individual authorized to write the check.

INVENTORY

Contracts and Grants typically require recipients to maintain a complete inventory of all real property, equipment and other non-expendable assets acquired with contract or grant funds.
You should examine the contract or grant terms for particulars in each case for the definition of non-expendable assets. VESID currently defines non-expendable assets as those that are not consumed during the term of the agreement and have a cost of one thousand dollars or more. The Office of Children and Family Services however, defines equipment as property having a useful life of more than two years and an acquisition cost of $5,000 or more.

A standard inventory record identifies the item (description), model, serial number, date acquired, cost, funding source, location, condition, and disposition.

TRAVEL

Most state agencies reimburse travel expenses based on policies and rates set by the State Comptroller. The State Education Department reimburses travel expenses at the rate in effect at the time for New York State Management/Confidential employees (see Appendix A-1 of the SED contract. For State rate information refer to the State Comptroller's website at http://nysosc3.osc.state.ny.us/agencies/travel/travel.htm . Examine all contracts or grants for specific conditions for travel reimbursement.

In all cases travel must be in accordance with the approved budget, properly authorized, and expenses documented as prescribed by the State Comptroller's directives or the contract or grant. One caution here, it is important to thoroughly document travel expenses for audit purposes. Even thought the Comptroller's guidance does not require receipt for certain travel expenses, it is best to require and maintain receipts for all travel expenses.

IL Center travel policies and procedures should be included in the Center financial policies and procedures manual. The manual should establish reimbursement rates and documentation requirements for all Center travel that conform to the conditions set by each contract or grant for which staff travel.

INTEREST EXPENSE

Rules regarding the reimbursement of interest expense vary depending on the funding source. IL Centers should exercise caution in this area. Contact the funding source prior to incurring interest expense and seek specific written direction on the allowability of the expense under the terms and conditions that the Center faces.

OMB Circular A-122 (item 23 Interest Expense) limits interest to that incurred to acquire or replace capital assets with significant conditions.

VESID has discouraged Centers from borrowing funds to cover operating costs but recognizes there are times when the need to borrow is unavoidable. When a Center finds a need to borrow, prior written approval from the Independent Living Unit is required. The loan must be necessary to meet operating costs due to a situation outside the Center's control (i.e., delay in receiving advance payment or expenditure reimbursement). The funds borrowed must be for operating expenses otherwise eligible for reimbursement under the terms of the independent living contract. If interest is to be claimed it must be included in the annual budget or in a formal budget amendment approved by VESID.

TIME AND ATTENDANCE

Time and attendance records are fundamental records important for many purposes in the organization. They are the basic documentation and control for payroll purposes. They are typically the foundation for cost allocation purposes and serve as a primary records in personnel management. These are the base records that support the largest single expense category in most IL Center budgets.

Attendance rules and time recording procedures must be articulated as part of the organization's official policies and procedures approved by the Board and all staff should be provided a copy of the policy.

Timeliness and accuracy are key to the effectiveness of these records. Employees should be required to record all information asked for on the record daily. Supervisors should be required to review time records for accuracy and completeness immediately upon the close of the time recording cycle.

Time and attendance policies and record will always be subject to examination in an audit whether it is the Center's annual audit or an external audit initiated by a state contracting authority. These records should be maintained in a readily accessible location and format for review by authorized personnel.

INDIRECT COST ALLOCATION

The State Comptroller's Bulletin G-117 defines indirect costs and offers the following direction to state agencies and contractors:

Indirect costs are costs for activities that benefit more than one program or objective and, therefore, cannot be identified to only a specific contract. Such costs are generally classified under functional categories such as general maintenance and operation expenses, general office and administrative expenses, general overhead, etc. Unless it is otherwise prohibited by Statute, Regulation, Agency Policy or Contract, the State will reimburse grant contractors for the State's share of properly allocated indirect costs. Some common methods of allocating indirect costs are based upon time, space, units of service or percentage of funding. To avoid any potential misunderstanding, each grant contract should specifically state whether or not indirect costs will be reimbursed and the method or basis for allocation should be identified.

In situations where the contractor provides services funded by a variety of sources (i.e., Federal, State, Local Government or Private) indirect costs must be properly allocated to all such programs. The State will only reimburse its fair share of allowable indirect costs. For example, if a contractor operates a program for a local government or private entity whose policy prohibits the reimbursement of indirect costs, those costs must be born by the contractor and may not be allocated to the State.

The following criteria must be met in determining when indirect costs are allowable:

1. The reimbursement of indirect costs is not prohibited by Statute, Regulation, Agency Policy or Contract.

2. The items of expense included in the allocation to the State contract are allowable and not of the same nature as those charged as a direct cost to the contract.

3. The method used to allocate indirect expenses is documented, accurate and common to all programs.

4. The period being used to determine allocable indirect costs is appropriate for the contract period.

5. The contractor applies its allocation policies and procedures on a consistent basis to State programs and other operations.

Generally Accepted Accounting Principles require that any expense incurred over more than one funding source or program be allocated proportionately and the method of allocation be documented.

In spite of the Comptrollers bulletin, many state contracts do not specifically state whether or not indirect costs will be reimbursed or the method or basis for allocation. It is therefore important for each Center to examine its contracts and grants carefully. If the allowable cost and method are specified make certain that the Center records and method comply. If contracts or grants are silent on the topic, the Center should request the contract agency to furnace the Center any specific requirements that must be meet in this area.

The most commonly applied standard for indirect cost allocation is the Office of Management and Budget (OMB) Circular A-122 Cost Principles for Non-Profit Organizations. The State Education Department has adopted these principles (Policy Advisory # 01-01). The OMB Circular Attachment A, Section C Indirect Costs, defines indirect costs in some detail and Section D Allocation of Indirect Costs and Determination of Indirect Cost Rates describes allocation methods. Sections C and D are in Appendix - I of this document. The entire Circular can be found on the Internet at
http://www.whitehouse.gov/omb/circulars/a122/a122.html .

The United States Education Department, Office of Special Education and Rehabilitation Services has developed a Model Cost Allocation Plan for Independent Living Centers. It is available on the Internet at
http://www.ed.gov/programs/cil/costplan.doc . The Model Plan offers a good example of how a Center might document its cost allocation philosophy and procedure using the Direct Allocation Method allowed in OMB Circular A-122. In the Direct Method joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses, and the like are prorated individually as direct costs to each category and to each contract or grant using a base most appropriate to the particular cost being prorated.
The Model Plan provides discussion of how most expense categories would be handled and offers examples of records that could be used to document the expense and the distribution.

Whatever method is used to allocate costs must be carefully documented to support the allocations made.

Careful attention should be paid to allowable and unallowable costs. Several common categories of expense such as bad debts, contributions, entertainment, food, lobbying and certain advertising expenses are unallowable. Many categories of expense have conditions under which certain costs are allowed and others are unallowable. For example, advertising costs for the recruitment of personnel needed for the performance of work under the contract or grant is allowable. However, the costs of advertising and public relations designed solely to promote the organization are unallowable. Attention to these rules will avoid costly audit disallowances. See Appendix II of this document for the OMB Circular A-122 discussion of Entertainment and Lobbying costs. See the complete discussion of the cost categories in OMB Circular A-122 Appendix B at
www.whitehouse.gov/omb/circulars/a122/a222.html .

CONSOLIDATED FISCAL REPORTING AND CLAIMING

The Consolidated Fiscal Reporting System (CFRS), a complex fiscal reporting system, was developed to gather expense and revenue data and provide a claiming mechanism from service providers who receive funding from New York State or Local Governments using a standardized reporting form accepted by the Office of Alcoholism and Substance Abuse Services (OASAS), the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the State Education Department (SED). These agencies also use the information gathered to establish reimbursement rates for programs they administer.

VESID providers that do not operate Education Law Article 81 (Education of Children Residing in Child Care) or Article 89 (Children with Handicapping Conditions) programs do not need to submit a CFR to SED. IL Centers therefore, are not required to submit a CFR based on the receipt of funds to operate the Center. However, should a Center received funding from OASAS, OMH, OMRDD or a local government it may need to submit a full or abbreviated CFR.
Generally, full CFR submissions are required if a service provider operates certified, rate-based or cost-based programs, receives Aid to Localities funding in excess of $750,000 or receives Medicaid for any program. IL Centers should be certain to understand the CFR reporting requirements for each program they operate. Any questions regarding CFR reporting requirements should brought to the funding agency and reviewed with the center's public accountant.

The CFR Manual can be accessed via the Internet at http://www.oms.nysed.gov/rsu/home.html . A complete CFR software application is available at http://www.omh.state.ny.us/omhweb/cfr/ .

SED CONTRACT PROCESS

The SED contracting process is fairly typical of the process employed by most state agencies. While there will be some forms unique to agencies and differences such as the timing of payments (monthly vs. quarterly) the process is pretty standard. A thorough description of the required steps in the statewide process is found in the Procurement Council Guidelines that can be found at http://www.ogs.state.ny.procurecounc/default.asp .

For New Programs/Goods/Services in excess of $15,000

The agency must first determine any condition of the law and appropriation language that would govern how the funds are used. They must then determine under State Finance Law and Procurement Council guidelines whether to use a Preferred Source provider, an OGS centralized contract or to conduct their own purchase via solicitation of bids or proposals.

Once it determines the need to conduct its own bid solicitation it must provide public notice of the bid opportunity in the Contract Reporter and in most cases provides broad notice to potential bidders through other means (e.g. websites, association publications). The solicitation must give potential bidders clear and descriptive specifications or requirements. The evaluation criteria for judging proposals must be established before the solicitation is released and made a part of the solicitation. Bids or proposals must be opened and tabulated publicly. Late submissions must be rejected. Commodities must be awarded based on lowest price and services must be awarded based on best value as defined in State Finance Law (Article 11 §163 "Lowest price” means the basis for awarding contracts for commodities among responsive and responsible offerers. "Best value" means the basis for awarding contracts for services to the offerer that optimizes quality, cost and efficiency, among responsive and responsible offerers. Such basis shall reflect, wherever possible, objective and quantifiable analysis).

For Renewal Contracts

Under the Prompt Contracting provision of the State Finance Law (discussed in the Law and Regulations section of this document) state agencies have the option of renewing existing contracts for services with not-for-profit organizations without a competitive process. This is standard practice of SED with ILCs where the agency is satisfied with the operation and services of the Center.

SED must notify the Center no later then ninety day prior to the end of the current contract or thirty days after the appropriation funding is law of its intent to renew or terminate the contract. If it intends to renew it must issue a Written Directive that authorizes the Center to continue services during negotiation of the renewal contract. The Written Directive also entitles the Center to an advance payment if the renewal contract is not fully executed by the commencement date of the contract.

The Annual Budget

Annually, VESID puts out a call to the Centers for submission of budgets for renewal of contracts.

VESID requires the submission of form Budget Summary - Appendix B (included in this document as Appendix - III). The categories and information requested in this form are straightforward. However, care must be taken in the development of this budget. Should there be any question whether a cost is allowable, the Center should consult OMB Circular A-122 and confirm the determination with VESID staff. Where multiple funding sources support the operation of a Center, particular care should be taken in determining the portion of any given cost category that is allocated to each budget or funding source. The percent time allocations for direct operating personal, requested in Section I of the VESID Budget Summary, should be based on best available data such as recent time sheets and assessment of staff assignment for the budget period.

One of the most common errors in budgeting is to under estimate expenses and over estimate revenue. This can occur in relation to the overall budget or individual budget categories. In the case of IL Center operation contracts with VESID total budget amount is fixed in advance. Some might think that this make budgeting easier because it is just a matter of making the categories add to the given total. Anyone who has had to run a Center knows better. Cost categories often grow outside the immediate control of the Center. Some costs rise faster than inflation and faster than increases in appropriations granted by the legislature for Center operations. Centers will not grow based on VESID operations funding alone. IL Centers' budgets must be larger the VESID operation funding. Annual budgeting must deal will overall operations, multiple programs and services and multiple funding streams. Each program with unique conditions that drive different cost configurations. Therefore, monitoring revenue and expenses carefully in all categories throughout the year is critical in making adjustments through the year and to budget for the new year based on thorough knowledge of costs and revenues.

The annual Center budget and the budget for any new or renewal contract should be presented to and approved by the board of directors prior to it submission.

VESID's Independent Living Unit reviews each budget proposal, negotiates as necessary with the Center and must approve the budget before it can become a part of the contract proposal sent the State Comptroller for final approval.

Contract Changes and Budget Modifications

There are contract changes that require VESID approval through a request for a budget modification and those that require formal legal amendment.

Modifications

A budget modification allows for movement of funds among budget categories but does not allow any net change in the total budget amount.

All requests for budget modifications require prior approval of VESID and should be submitted at least 30 days prior to the proposed effective date of the change. Centers are required to submit the Budget Modification Request Form (see Appendix VII) along with a narrative explanation and justification for the change. Two copies dated and signed by the Executive Director or designee must be submitted. The explanation of changes should be specific and sufficiently detailed to allow quick review and approval.

No expenditures that would be based on the revised budget should be made until written approval of the budget modification is received. Costs incurred for expenses determined to be unacceptable for the budget modification and not approved by VESID will not be reimbursed.

Amendments

Formal contract amendments are required whenever a change involves: extending the end date of a project, adding funding to the project (increasing the budget and expected outcomes) or material programmatic changes in the nature or scope of activities.

Contract amendments require renegotiation of contract terms and budget and approval of the state control agencies (Attorney General, Comptroller). This process can be complex and time consuming. When an amendment is considered necessary the Center should initiate a formal written request at the earliest possible opportunity. Program changes and associated expenditures should not occur until a fully executed contract amendment is in place.

Expenditure Reporting and Claiming Reimbursement

The Payment and Reporting Schedule, Appendix C of the contract governs when payments may be made and requires progress reports and expenditure reports in a form and having content satisfactory to the Commissioner of Education.

The Payment and Reporting Schedule for IL contracts provides for a first payments (advance) of 35% on the commencement date of the contract or services, followed by three quarterly payments with a 10% reserve held for final payment.

Upon receipt of a Written Directive a Center may submit a request for an Advance Payment using the Standard Voucher (form AC-92).

A Quarterly Contract Expenditure Report (see Appendix V) and Standard Voucher must be submitted within 30 days of the end of each quarter to claim reimbursement for expenditures under the contract.

Only costs included in the approved budget may be reimbursed. Costs associated with any period outside the approved budget period (e.g. insurance, conference fees) are not reimbursable. Costs must be net of all applicable credits such as discounts, rebates and adjustments for overpayments. Reimbursable cost of any other state or federally aided program should not be included. Costs must be permissible under state laws and regulations. Cost must be actual cost computed on a cash basis except salary and fringe benefits that may be reported on an accrual basis.

Copies of documentation of expenditures such as accounting records, receipts, and invoices **should not** be submitted with the expenditure reports. Such documentation must be retained in the Center's files and made available to an authorized state representative for review or audit.

The final voucher and expenditure report must be accompanied by a Detail of Personnel and Fringe Benefit Costs (Appendix VI).

Progress/Program Reports

Two program reports are required by VESID and must be completed on time to avoid delay in payment of quarterly and final expenditure claims. A Mid Year Report is due on or before April 15 each year. An End of Year Report is due on or before October 30 of each contract year. These are program reports, primarily narrative and statistical in nature. They can be accessed on the Internet at the following address www.vesid.nysed.gov/lsn/ilc/toolbox.htm.

Audited financial Statement and Corrective Action Plans

VESID payment of contract claims is also contingent on 1) the submission of audited financial statements following the completion of the Center fiscal year, 2) submission of an approvable corrective action plan related to findings of any onsite review or audit conducted by SED or other state authority and 3) submission of evidence of timely action taken on an approved corrective action plan.

AUDITS

The word audit is most commonly used to refer to the annual financial audit conducted by a Certified Public Accountant at the request of the IL Center. This audit involves examination of the organization's financial records, policies and practices and the resulting financial statements and concludes with statement by the auditor concerning the accuracy and reliability of the financial statements.

State Education Department Regulation Part 248.5 (c) requires the annual submission of a financial statement examined and certified by a licensed accountant who is qualified to express an opinion on the accuracy and fairness of the statement. This regulation also requires the governing body of the center to review and act upon the recommendation of such accountant.

The other important audit that center's must be prepared for is the periodic program and or financial audit conducted by outside entities, typically funding agencies such as VESID or state control agencies such as the Office of the State Comptroller.

State Education Department Regulation Part 248.2 (f) provides that centers shall: allow the Department access to all records of the center and be subject to financial and/or program audits by the agency

These two audits serve entirely different purposes.

The annual financial audit is required by most funding agencies as a tool to monitor the fiscal condition of the organizations they fund. The annual financial audit is equally important to the organization itself. The Board needs this independent assessment of the financial records and results to meet its fiduciary responsibility to the organization. The organization management needs his independent review as a test of it financial practices and internal controls. The organization needs the audit results to demonstrate its financial integrity to all interested parties, its community, its consumers, financial institutions, potential contributors and others.

The periodic program or financial audits conducted by funding agencies are often undertaken as part of the agency's routine monitoring responsibility and occur on an irregular cycle. Occasionally, they are undertaken as a result of program or fiscal concerns identified by the state agency. These audits are sometime undertaken at the request of a Center's board or management. This might occur when a new Executive assumes responsibility of the organization and wants an independent assessment of programs and controls. It might occur if the Board and management seek state agency assistance in resolving program or fiscal difficulties. In all cases the agencies are entitled to full access to the records and personnel of the Center in the course of conducting their audit.

Audits are an important tool that the board and management must understand, prepare for and use to the benefit of the organization.

ANNUAL FINANCIAL AUDIT

Preparing for the audit begins with the Board finance or audit committee. It has responsibility to select the independent auditor and review and approve the scope of the work. The committee also receives the audit results including the auditor's opinion and recommendations.

Selecting the independent auditor means defining the audit needs of the organization. The basics include examining the system of internal controls and accounting policies and practices sufficient to attest the reliability of the financial statements. Funding agencies may impose additional requirements for specific financial reports such as a cash basis schedule of receipts and disbursements. Contracts and grants documents should be carefully reviewed to identify such requirements. Other needs of a Center may include tax filings; analysis of operating results or review of quarterly internally prepared financial statements.

Centers should regularly evaluate their auditor's work and reassess the organization's audit needs based on changing conditions and growth. The board should periodically solicit bids for audit services. There are several sources that can guide a Center in identifying its needs and preparing a Request for Proposal for audit services. For example, the Commission on Quality of Care has guidance on "Selecting an Independent CPA" on its website at http://www.cqc.state.ny.us/Bestpractices/bestcpa.htm and the American Institute of Certified Public Accountants has a "Sample Request for Proposal Letter for CPA Services" on its website at http://www.aicpa.org/audcommctr/toolkitsnpo/homepage.htm .

The contract for services or engagement letter should clearly state the scope of services, the fees charged, the time frame for completion of the work and identify the manager and in-charge accountant who will be assigned to the job.

Centers financial statements should conform to the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No.117, "Financial Statements of Not-For-Profit Organizations" The financial statements include: 1) Statement of Financial Position (Balance Sheet) 2) Statement of Activities and Changes in Net Assets 3) Statement of Cash Flow and 4) Statement of Functional Expenses. The auditor will test the underlying records, controls and accounting practices and issue an opinion on the reliability of the statements with notes explaining significant accounting practices. The audit should also result in a management letter addressing any internal control, compliance or financial weaknesses noted by the auditor.

Funding agencies may require contract or grant specific financial statements as a part of the audit. VESID requires a Schedule of Contract Receipts and Disbursements showing actual cash receipt and cash disbursements.

PERIODIC PROGRAM AND/OR FINANCIAL AUDIT BY FUNDING AGENCIES

Nearly all funding agencies reserve the right to conduct program and financial audits. VESID has an established Program Review and Contract Monitoring Protocol (available at its website http://www.vesid.nysed.gov/lsn/ilc/toolbox.htm). This protocol states that the purpose of the review is to "...assure that Centers are delivering services in a manner consistent with and in acccordance to: contractual obligations; principles and philosophy of Independent Living as defined in New York State Standards; maintenance of appropriate fiscal internal controls and practices; performance requirements established in contract agreements." VESID's goal is to conduct onsite reviews of Centers once every five years unless otherwise indicated.

Centers are also subject to audit by SED's provider audit group, other funding agencies' audit groups and the State Comptroller. Most conduct periodic routine compliance and financial audits. These offices also conduct audits whenever information suggests that a center is experiencing significant program or fiscal difficulties that jeopardize consumers or resources. Routine audits are announced in advance and begin with an opening conference where the scope and objective of the audit are explained. The auditor would then proceed to examine records, interview staff, test internal control practices and gather other information from various sources (banks, vendors, consumers) as necessary. Upon completion of their onsite work the auditors should meet with management and the board to present preliminary findings. The center will then receive a written report of the audit and recommendations with a period of time to prepare a written response. Management and the board should review the report carefully. Where there is disagreement with the auditors' findings the center should request an opportunity to meet with the auditors to discuss the findings and recommendation and negotiate any changes that should be made. The center must then provide a written response to the audit recommendations. A final report will then be issued to the Center that will include the center's responses. Final audit reports are public information. It is the obligation of the center's board and management to take action based on the final report recommendations.

The best way to prepare for any audit is communication of organizational fiscal policies and procedures to all staff, establishment of an institutional environment of fiscal accountability, sound record keeping and an effective system of internal controls. When the audit is announced, don't panic, inform staff, reach out to the auditors to determine what information/records will be needed and get started gathering that information. Assign one individual (such as the executive director or finance manager) to serve as the primary contact for the auditors and discuss finding with the auditors as the audit progresses. This will save time and avoid misunderstanding and misinterpretations.

WEB SITES OF INTEREST AND USE TO IL CENTERS

The following is a compilation of Internet sites on topics that should be of interest and use to IL Centers:

New York State Government Information Locator Service
www.nysl.nysed.gov/ils/

Independent Living and Not-for-Profit Organizations/Associations

- New York State Independent Living Council www.nysilc.org
- New York Association on Independent Living www.ilny.org/
- National Council on Independent Living www.ncil.org/
- National Center for Nonprofit Boards www.ncnb.org

Contract and Grant Opportunities

- Information on Grants Available in New York State www.nysl.nysed.gov/ils/topics/grants
- Office of Temporary and Disability Assistance www.otda.state.ny.us/cgo/default/html
- Office of Alcohol and Substance Abuse Services www.oasis.state.ny.us/hps/grants.htm
- New York State Assembly www.grants@assembly.state.ny.us
- Office of Children and Family Services www.ocfs.state.ny.us/main/bcm
- Developmental Disabilities Planning Council www.ddpc.state.ny.us
- VESID Grant Procurement Opportunities www.vesid.nysed.gov/rfp/home/html
- New York State Citizens Guide www.nysegov.com/citguide.cfm

- New York State Contract Reporter www.nyscr.org

Board Governance

- The Commission on Quality of Care www.cqc.state.ny.us/Bestpractices/bestboard.htm
- American Institute of Certified Public Accountants – Audit Committee Toolkits www.aicpa.org/audcommctr/toolditsnpo/homepage.htm
- National Center for Nonprofit Boards www.ncnb.org
- The Nonprofit resource Center www.not-for-profit.org
- Alliance for Nonprofit Management www.allianceonline.org/faqs.html

State Agency Contact Information

- NYS Citizens Guide www.nysegov.com/citguide.cfm?superCat=454&cat=455
- NYS State Government Information Locator Service www.nysl.nysed.gov/ils/
- NYS Resources on Disabilities www.nysl.nysed.gov/ils/topics/handic.htm
- NYS Education Department contact information www.usny.nysed.gov/contact.html
- NYS Telephone Directory www6.oft.state.ny.us/telecom/phones/
- New York State Comptroller www.osc.state.ny.us
- New York State Attorney General www.oag.state.ny.us
- New York State Office of General Services www.ogs.state.ny.us
- New York State Education Department www.usny.nysed.gov
- New York State Office of Children and Family Services www.ocfs.state.ny.us
- New York State Developmental Disabilities Planning Council www.ddpc.state.ny.us
- New York State Office of Mental Health www.omh.state.ny.us
- New York State Office of Mental Retardation and Developmental Disabilities www.omr.state.ny.us
- New York State Health Department www.health.state.ny.us

Law and Regulations

- New York State laws www.public.leginfo.state.ny.us
- VESID IL Toolbox www.vesid.nysed.gov/lsn/ilc/toolbox.htm

Indirect Cost and Cost Allocation

- OMB Circular A-122 http://www.whitehouse.gov/omb/circulars/a122/a122.html
- US Education Dept. Model Cost Allocation Plan for Independent Living Centers http://www.ed.gov/programs/cil/costplan.doc

Internal Controls

- New York State Attorney General publication Internal Controls and Financial Accountability for Not-for-Profit Boards www.oag.state.ny.us/charities/charities.html
- AICPA http://www.aicpa.org/audcommctr/toolkitsnpo/Internal_Control.htm
- Sarbanes-Oxley and Non Profits –Four Actions Nonprofits Should Consider http://www.bdo.com/about/publications/industry/np_apr_03/article1.asp
- The Sarbanes-Oxley Act and Implications for Nonprofit Organizations Go to: http://www.independentsector.org/issues/sarbanesoxley.html. The article link is listed on the page. The search function can be used as an alternative.

Travel Guidelines - expense reimbursement rates

- NYS State Comptroller http://nysosc3.osc.state.ny.us/agencies/travel/travel.htm

State Procurement Council

- Procurement Council Guidelines http://www.ogs.state.ny.procurecounc/pdfdoc/guidelines.pld

VESID

- Independent Living Toolbox www.vesid.nysed.gov/lsn/ilc/toolbox.htm

Electronic Payments

- NYS State Comptroller www.osc.state.y.us/epay/about.htm

Not-for-Profit Management Library

- MAP for Nonprofits www.managementhelp.org/

Lobbying in NYS

Office of General Services Advisory Council on Procurement Lobbying www.ogs.state.ny.us/aboutOgs/regulations/defaultAdvisoryCouncil.html

APPENDIX - I

OMB Circular A122
Sections: C. Indirect cost definition and D - Allocation of Indirect Costs

C. <u>Indirect Costs</u>
1. Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Direct cost of minor amounts may be treated as indirect costs under the conditions described in subparagraph B.2. After direct costs have been determined and assigned directly to awards or other work as appropriate, indirect costs are those remaining to be allocated to benefiting cost objectives. A cost may not be allocated to an award as an indirect cost if any other cost incurred for the same purpose, in like circumstances, has been assigned to an award as a direct cost.
2. Because of the diverse characteristics and accounting practices of non-profit organizations, it is not possible to specify the types of cost that may be classified as indirect cost in all situations. However, typical examples of indirect cost for many non-profit organizations may include depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, and general administration and general expenses, such as the salaries and expenses of executive officers, personnel administration, and accounting.
3. Indirect costs shall be classified within two broad categories: "Facilities" and "Administration." "Facilities" is defined as depreciation and use allowances on buildings, equipment and capital improvement, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel, library expenses and all other types of expenditures not listed specifically under one of the subcategories of "Facilities" (including cross allocations from other pools, where applicable). See indirect cost rate reporting requirements in subparagraphs D.2.e and D.3.g.

<u>D. Allocation of Indirect Costs and Determination of Indirect Cost Rates</u>
1. General.
a. Where a non-profit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs and the computation of an indirect cost rate may be accomplished through simplified allocation procedures, as described in subparagraph 2.
b. Where an organization has several major functions which benefit from its indirect costs in varying degrees, allocation of indirect costs may require the accumulation of such costs into separate cost groupings which then are allocated individually to benefiting functions by means of a base which best measures the relative degree of benefit. The indirect costs allocated to each function are then distributed to individual awards and other activities included in that function by means of an indirect cost rate(s).
c. The determination of what constitutes an organization's major functions will depend on its purpose in being; the types of services it renders to the public, its clients, and its members; and the amount of effort it devotes to such activities as fundraising, public information and membership activities.
d. Specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in subparagraphs 2 through 5.
e. The base period for the allocation of indirect costs is the period in which such costs are incurred and accumulated for allocation to work performed in that period. The base period normally should coincide with the organization's fiscal year but, in any event, shall be so selected as to avoid inequities in the allocation of the costs.
2. Simplified allocation method.
a. Where an organization's major functions benefit from its indirect costs to approximately the same degree, the allocation of indirect costs may be accomplished by (i) separating the organization's total costs for the base period as either direct or indirect, and (ii) dividing the total allowable indirect costs (net of applicable credits) by an equitable distribution base. The result of this process is an indirect cost rate that is used to distribute indirect costs to individual awards. The rate should be expressed as the percentage which the total amount of allowable indirect costs bears to the base

selected. This method should also be used where an organization has only one major function encompassing a number of individual projects or activities, and may be used where the level of Federal awards to an organization is relatively small.

b. Both the direct costs and the indirect costs shall exclude capital expenditures and unallowable costs. However, unallowable costs which represent activities must be included in the direct costs under the conditions described in subparagraph B.3.

c. The distribution base may be total direct costs (excluding capital expenditures and other distorting items, such as major subcontracts or subgrants), direct salaries and wages, or other base which results in an equitable distribution. The distribution base shall generally exclude participant support costs as defined in paragraph 34 of Attachment B.

d. Except where a special rate(s) is required in accordance with subparagraph 5, the indirect cost rate developed under the above principles is applicable to all awards at the organization. If a special rate(s) is required, appropriate modifications shall be made in order to develop the special rate(s).

e. For an organization that receives more than $10 million in Federal funding of direct costs in a fiscal year, a breakout of the indirect cost component into two broad categories, Facilities and Administration as defined in subparagraph C.3, is required. The rate in each case shall be stated as the percentage which the amount of the particular indirect cost category (i.e., Facilities or Administration) is of the distribution base identified with that category.

3. Multiple allocation base method

a. General. Where an organization's indirect costs benefit its major functions in varying degrees, indirect costs shall be accumulated into separate cost groupings, as described in subparagraph b. Each grouping shall then be allocated individually to benefitting functions by means of a base which best measures the relative benefits. The default allocation bases by cost pool are described in subparagraph c.

b. Identification of indirect costs. Cost groupings shall be established so as to permit the allocation of each grouping on the basis of benefits provided to the major functions. Each grouping shall constitute a pool of expenses that are of like character in terms of functions they benefit and in terms of the allocation base which best measures the relative benefits provided to each function. The groupings are classified within the two broad categories: "Facilities" and "Administration," as described in subparagraph C.3. The indirect cost pools are defined as follows:

(1) Depreciation and use allowances. The expenses under this heading are the portion of the costs of the organization's buildings, capital improvements to land and buildings, and equipment which are computed in accordance with paragraph 11 of Attachment B ("Depreciation and use allowances").

(2) Interest. Interest on debt associated with certain buildings, equipment and capital improvements are computed in accordance with paragraph 23 of Attachment B ("Interest, fundraising, and investment management costs").

(3) Operation and maintenance expenses. The expenses under this heading are those that have been incurred for the administration, operation, maintenance, preservation, and protection of the organization's physical plant. They include expenses normally incurred for such items as: janitorial and utility services; repairs and ordinary or normal alterations of buildings, furniture and equipment; care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; property, liability and other insurance relating to property; space and capital leasing; facility planning and management; and, central receiving. The operation and maintenance expenses category shall also include its allocable share of fringe benefit costs, depreciation and use allowances, and interest costs.

(4) General administration and general expenses. The expenses under this heading are those that have been incurred for the overall general executive and administrative offices of the organization and other expenses of a general nature which do not relate solely to any major function of the organization. This category shall also include its allocable share of fringe benefit costs, operation and maintenance expense, depreciation and use allowances, and interest costs. Examples of this category include central offices, such as the director's office, the office of finance, business services, budget and planning, personnel, safety and risk management, general counsel, management information systems, and library costs.

In developing this cost pool, special care should be exercised to ensure that costs incurred for the same purpose in like circumstances are treated consistently as either direct or indirect costs. For example, salaries of technical staff, project supplies, project publication, telephone toll charges, computer costs, travel costs, and specialized services costs shall be treated as direct costs wherever identifiable to a particular program. The salaries and wages of administrative and pooled clerical staff should normally be treated as indirect costs. Direct charging of these costs may be appropriate where a major project or activity explicitly requires and budgets for administrative or clerical services and other individuals involved can be identified with the program or activity. Items such as office supplies, postage, local telephone costs, periodicals and memberships should normally be treated as indirect costs.

c. Allocation bases. Actual conditions shall be taken into account in selecting the base to be used in allocating the expenses in each grouping to benefitting functions. The essential consideration in selecting a method or a base is that it is the one best suited for assigning the pool of costs to cost objectives in accordance with benefits derived; a traceable cause and effect relationship; or logic and reason, where neither the cause nor the effect of the relationship is determinable. When an allocation can be made by assignment of a cost grouping directly to the function benefited, the allocation shall be made in that manner. When the expenses in a cost grouping are more general in nature, the allocation shall be made through the use of a selected base which produces results that are equitable to both the Federal Government and the organization. The distribution shall be made in accordance with the bases described herein unless it can be demonstrated that the use of a different base would result in a more equitable allocation of the costs, or that a more readily available base would not increase the costs charged to sponsored awards. The results of special cost studies (such as an engineering utility study) shall not be used to determine and allocate the indirect costs to sponsored awards.

(1) Depreciation and use allowances. Depreciation and use allowances expenses shall be allocated in the following manner:

(a) Depreciation or use allowances on buildings used exclusively in the conduct of a single function, and on capital improvements and equipment used in such buildings, shall be assigned to that function.

(b) Depreciation or use allowances on buildings used for more than one function, and on capital improvements and equipment used in such buildings, shall be allocated to the individual functions performed in each building on the basis of usable square feet of space, excluding common areas, such as hallways, stairwells, and restrooms.

(c) Depreciation or use allowances on buildings, capital improvements and equipment related space (e.g., individual rooms, and laboratories) used jointly by more than one function (as determined by the users of the space) shall be treated as follows. The cost of each jointly used unit of space shall be allocated to the benefitting functions on the basis of:

(i) the employees and other users on a full-time equivalent (FTE) basis or salaries and wages of those individual functions benefitting from the use of that space; or

(ii) organization-wide employee FTEs or salaries and wages applicable to the benefitting functions of the organization.

(d) Depreciation or use allowances on certain capital improvements to land, such as paved parking areas, fences, sidewalks, and the like, not included in the cost of buildings, shall be allocated to user categories on a FTE basis and distributed to major functions in proportion to the salaries and wages of all employees applicable to the functions.

(2) Interest. Interest costs shall be allocated in the same manner as the depreciation or use allowances on the buildings, equipment and capital equipments to which the interest relates.

(3) Operation and maintenance expenses. Operation and maintenance expenses shall be allocated in the same manner as the depreciation and use allowances.

(4) General administration and general expenses. General administration and general expenses shall be allocated to benefitting functions based on modified total direct costs (MTDC), as described in subparagraph D.3.f. The expenses included in this category could be grouped first according to major functions of the organization to which they render services or provide benefits. The aggregate expenses of each group shall then be allocated to benefitting functions based on MTDC.

d. Order of distribution.

(1) Indirect cost categories consisting of depreciation and use allowances, interest, operation and maintenance, and general administration and general expenses shall be allocated in that order to the remaining indirect cost categories as well as to the major functions of the organization. Other cost categories could be allocated in the order determined to be most appropriate by the organization. When cross allocation of costs is made as provided in subparagraph (2), this order of allocation does not apply.

(2) Normally, an indirect cost category will be considered closed once it has been allocated to other cost objectives, and costs shall not be subsequently allocated to it. However, a cross allocation of costs between two or more indirect costs categories could be used if such allocation will result in a more equitable allocation of costs. If a cross allocation is used, an appropriate modification to the composition of the indirect cost categories is required.

e. Application of indirect cost rate or rates. Except where a special indirect cost rate(s) is required in accordance with subparagraph D.5, the separate groupings of indirect costs allocated to each major function shall be aggregated and treated as a common pool for that function. The costs in the common pool shall then be distributed to individual awards included in that function by use of a single indirect cost rate.

f. Distribution basis. Indirect costs shall be distributed to applicable sponsored awards and other benefitting activities within each major function on the basis of MTDC. MTDC consists of all salaries and wages, fringe benefits, materials and supplies, services, travel, and subgrants and subcontracts up to the first $25,000 of each subgrant or subcontract (regardless of the period covered by the subgrant or subcontract). Equipment, capital expenditures, charges for patient care, rental costs and the portion in excess of $25,000 shall be excluded from MTDC. Participant support costs shall generally be excluded from MTDC. Other items may only be excluded when the Federal cost cognizant agency determines that an exclusion is necessary to avoid a serious inequity in the distribution of indirect costs.

g. Individual Rate Components. An indirect cost rate shall be determined for each separate indirect cost pool developed. The rate in each case shall be stated as the percentage which the amount of the particular indirect cost pool is of the distribution base identified with that pool. Each indirect cost rate negotiation or determination agreement shall include development of the rate for each indirect cost pool as well as the overall indirect cost rate. The indirect cost pools shall be classified within two broad categories: "Facilities" and "Administration," as described in subparagraph C.3.

4. Direct allocation method.

a. Some non-profit organizations treat all costs as direct costs except general administration and general expenses. These organizations generally separate their costs into three basic categories: (i) General administration and general expenses, (ii) fundraising, and (iii) other direct functions (including projects performed under Federal awards). Joint costs, such as depreciation, rental costs, operation and maintenance of facilities, telephone expenses, and the like are prorated individually as direct costs to each category and to each award or other activity using a base most appropriate to the particular cost being prorated.

b. This method is acceptable, provided each joint cost is prorated using a base which accurately measures the benefits provided to each award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data. This method is compatible with the Standards of Accounting and Financial Reporting for Voluntary Health and Welfare Organizations issued jointly by the National Health Council, Inc., the National Assembly of Voluntary Health and Social Welfare Organizations, and the United Way of America.

c. Under this method, indirect costs consist exclusively of general administration and general expenses. In all other respects, the organization's indirect cost rates shall be computed in the same manner as that described in subparagraph 2.

5. Special indirect cost rates. In some instances, a single indirect cost rate for all activities of an organization or for each major function of the organization may not be appropriate, since it would not take into account those different factors which may substantially affect the indirect costs applicable to a particular segment of work. For this purpose, a particular segment of work may be that performed under a single award or it may consist of work under a group of awards performed in a common environment. These factors may include the physical location of the work, the level of administrative support required, the nature of the facilities or other resources employed, the scientific disciplines or technical skills involved, the organizational arrangements

used, or any combination thereof. When a particular segment of work is performed in an environment which appears to generate a significantly different level of indirect costs, provisions should be made for a separate indirect cost pool applicable to such work. The separate indirect cost pool should be developed during the course of the regular allocation process, and the separate indirect cost rate resulting therefrom should be used, provided it is determined that (i) the rate differs significantly from that which would have been obtained under subparagraphs 2, 3, and 4, and (ii) the volume of work to which the rate would apply is material.

ATTACHMENT II

OMB CIRCULAR A-122
ATTACHEMENT B
Items 14 Entertainment and 25 Lobbying

14. Entertainment costs. Costs of amusement, diversion, social activities, ceremonials, and costs relating thereto, such as meals, lodging, rentals, transportation, and gratuities are unallowable (but see paragraphs 13 and 30).

25. Lobbying.
a. Notwithstanding other provisions of this Circular, costs associated with the following activities are unallowable:
(1) Attempts to influence the outcomes of any Federal, State, or local election, referendum, initiative, or similar procedure, through in kind or cash contributions, endorsements, publicity, or similar activity;
(2) Establishing, administering, contributing to, or paying the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcomes of elections;
(3) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation through communication with any member or employee of the Congress or State legislature (including efforts to influence State or local officials to engage in similar lobbying activity), or with any Government official or employee in connection with a decision to sign or veto enrolled legislation;
(4) Any attempt to influence: (i) The introduction of Federal or State legislation; or (ii) the enactment or modification of any pending Federal or State legislation by preparing, distributing or using publicity or propaganda, or by urging members of the general public or any segment thereof to contribute to or participate in any mass demonstration, march, rally, fundraising drive, lobbying campaign or letter writing or telephone campaign; or
(5) Legislative liaison activities, including attendance at legislative sessions or committee hearings, gathering information regarding legislation, and analyzing the effect of legislation, when such activities are carried on in support of or in knowing preparation for an effort to engage in unallowable lobbying.
b. The following activities are excepted from the coverage of subparagraph a:
(1) Providing a technical and factual presentation of information on a topic directly related to the performance of a grant, contract or

other agreement through hearing testimony, statements or letters to the Congress or a State legislature, or subdivision, member, or cognizant staff member thereof, in response to a documented request (including a Congressional Record notice requesting testimony or statements for the record at a regularly scheduled hearing) made by the recipient member, legislative body or subdivision, or a cognizant staff member thereof; provided such information is readily obtainable and can be readily put in deliverable form; and further provided that costs under this section for travel, lodging or meals are unallowable unless incurred to offer testimony at a regularly scheduled Congressional hearing pursuant to a written request for such presentation made by the Chairman or Ranking Minority Member of the Committee or Subcommittee conducting such hearing.

(2) Any lobbying made unallowable by subparagraph a(3) to influence State legislation in order to directly reduce the cost, or to avoid material impairment of the organization's authority to perform the grant, contract, or other agreement.

(3) Any activity specifically authorized by statute to be undertaken with funds from the grant, contract, or other agreement.

c. (1) When an organization seeks reimbursement for indirect costs, total lobbying costs shall be separately identified in the indirect cost rate proposal, and thereafter treated as other unallowable activity costs in accordance with the procedures of subparagraph B.3 of Attachment A.

(2) Organizations shall submit, as part of the annual indirect cost rate proposal, a certification that the requirements and standards of this paragraph have been complied with.

(3) Organizations shall maintain adequate records to demonstrate that the determination of costs as being allowable or unallowable pursuant to paragraph 25 complies with the requirements of this Circular.

(4) Time logs, calendars, or similar records shall not be required to be created for purposes of complying with this paragraph during any particular calendar month when: (1) the employee engages in lobbying (as defined in subparagraphs (a) and (b)) 25 percent or less of the employee's compensated hours of employment during that calendar month, and (2) within the preceding five-year period, the organization has not materially misstated allowable or unallowable costs of any nature, including legislative lobbying costs. When conditions (1) and (2) are met, organizations are not required to establish records to support the allowabliliy of claimed costs in addition to records already required or maintained. Also, when conditions (1) and (2) are met, the absence of time logs, calendars, or similar records will not serve as a basis for disallowing costs by contesting estimates of lobbying time spent by employees during a calendar month.

(5) Agencies shall establish procedures for resolving in advance, in consultation with OMB, any significant questions or disagreements concerning the interpretation or application of paragraph 25. Any such advance resolution shall be binding in any subsequent settlements, audits or investigations with respect to that grant or contract for purposes of interpretation of this Circular;

provided, however, that this shall not be construed to prevent a contractor or grantee from contesting the lawfulness of such a determination.

Appendix - III
Checklist to Assess Financial Activities in Nonprofit Organizations

Rating *	Indicator	Met	Needs Work	N/A
E	1. The organization follows accounting practices which conform to accepted standards.			
E	2. The organization has systems in place to provide the appropriate information needed by staff and board to make sound financial decisions and to fulfill Internal Revenue Service requirements.			
R	3. The organization prepares timely financial statements including the Balance Sheet [or statement of financial position) and Statement of Revenue and Expenses [or statement of financial activities] which are clearly stated and useful for the board and staff.			
R	4. The organization prepares financial statements on a budget versus actual and/or comparative basis to achieve a better understanding of their finances.			
E	5. The organization develops an annual comprehensive operating budget which includes costs for all programs, management and fundraising and all sources of funding. This budget is reviewed and approved by the Board of Directors.			
R	6. The organization monitors unit costs of programs and services through the documentation of staff time and direct expenses and use of a process for allocation of management and general and fundraising expenses.			
E	7. The organization prepares cash flow projections.			
R	8. The organization periodically forecasts year-end revenues and expenses to assist in making sound management decisions during the year.			
E	9. The organization reconciles all cash accounts monthly.			
E	10. The organization has a review process to monitor that they are receiving appropriate and accurate financial information whether from a contracted service or internal processing.			
E	11. If the organization has billable contracts or other service income, procedures are established for the periodic billing, follow-up and collection of all accounts, and has the documentation that substantiates all billings.			
E	12. Government contracts, purchase of service agreements and grant agreements are in writing and are reviewed by a staff member of the organization to monitor compliance with all stated conditions.			
E	13. Payroll is prepared following appropriate State and Federal regulations and organizational policy.			
E	14. Persons employed on a contract basis meet all Federal requirements for this form of employment. Disbursement records are kept so 1099's can be issued at year end.			
E	15. Organizations that purchase and sell merchandise take periodic inventories to monitor the inventory against theft, to reconcile general ledger inventory information and to maintain an adequate inventory level.			

R	16. The organization has a written fiscal policy and procedures manual and follows it.			
E	17. The organization has documented a set of internal controls, including the handling of cash and deposits, approval over spending and disbursements.			
E	18. The organization has a policy identifying authorized check signers and the number of signatures required on checks in excess of specified dollar amounts.			
E	19. All expenses of the organization are approved by a designated person before payment is made.			
R	20. The organization has a written policy related to investments.			
R	21. Capital needs are reviewed at least annually and priorities established.			
R	22. The organization has established a plan identifying actions to take in the event of a reduction or loss in funding.			
R	23. The organization has established, or is actively trying to develop, a reserve of funds to cover at least three months of operating expenses.			
E	24. The organization has suitable insurance coverage which is periodically reviewed to ensure the appropriate levels and types of coverages are in place.			
E	25. Employees, board members and volunteers who handle cash and investments are bonded to help assure the safeguarding of assets.			
E	26. The organization files IRS form 990's in a timely basis within prescribed time lines.			
R	27. The organization reviews income annually to determine and report unrelated business income to the IRS.			
R	28. The organization has an annual, independent audit of their financial statements, prepared by a certified public accountant.			
R	29. In addition to the audit, the CPA prepares a management letter containing recommendations for improvements in the financial operations of the organization.			
R	30. The Board of Directors ,or an appropriate committee, is responsible for soliciting bids, interviewing auditors and hiring an auditor for the organization.			
R	31. The Board of Directors, or an appropriate committee, reviews and approves the audit report and management letter and with staff input and support, institutes any necessary changes.			
E	32. The audit, or an organization prepared annual report which includes financial statements, is made available to service recipients, volunteers, contributors, funders and other interested parties.			
A	33. Training is made available for board and appropriate staff on relevant accounting topics and all appropriate persons are encouraged to participate in various training opportunities.			
Indicators ratings: E=essential; R=recommended; A=additional to strengthen organizational activities				

Developed by: United Way of Minneapolis Area.

APPENDIX - IV

Org Agency Code		Contract Number
11000		

New York State Education Department
Bureau of Fiscal Management
Appendix B
Budget Summary

Page 1 of 3

Budget for the Period: _______________ to_________________

BFM-8 (11/98)

Contractor Name:	
Contractor Contract Person:	Telephone:

Expenditure Item		Amount
Line 1	Personal Service	$
Line 2	Fringe Benefits	
Line 3	General Operating	
Line 4	(Sum of Lines 1,2 and 3) TOTAL DIRECT COSTS è	$
Line 5	Indirect Cost Rate	%
Line 6	Indirect Cost	
Line 7	Equipment	
Line 8	Purchased Services	
Line 9	(Sum of Lines 4,6,7 and 8) TOTAL EXPENSES	$

Revenue		Amount
1.		$
2.		
Line 10	TOTAL REVENUE è	$

Net Budgeted Operating Costs		Amount
Line 11	(Line 9 minus Line 10) NET BUDGETED OPERATING COSTS	$

New York State Education Department
Bureau of Fiscal Management
Appendix B

Contractor Name: _______________________________________

Section 1: Direct Operating Personal Service Listing

Title	Social Security Number if available	Annual Salary	% Time Allocated to Program	Salary Allocated to Program

1.	Total Personal Service-Direct Operating Salaries (To Budget Summary, Line 1)	$
2.	Fringe Benefits Rate è	%
3.	Total Fringe Benefits (To Budget Summary, Line 2)	$

Section II: General Operating Expenses

Item	Cost Item	Amount	Item	Cost Item	Amount
1.	Insurance	$	10.	Travel-Staff Out/State	$
2.	Building Main.&Repair		11.	Utilities	
3.	Office Supplies		12.	Vehicles-Oper. Expenses	
4.	Program Supplies		13.	Staff Training	
5.	Telephone		14.	Advertising	
6.	Rent		15.	Printing	
7.	Travel-Staff in State		16.		
8.	Contractual Svcs		17.		
9.	Dues & Subscriptions		18.	Total G/O Expenses (To Budget Summary, Line 3)	$

Org Agency Code		Contract Number
11000		

New York State Education Department
Bureau of Fiscal Management
Appendix B (continued)

Page 3 of 3

Contractor Name: ____

Section III: Equipment Purchases		
Item / Description		Amount
A.		$
B.		
C.		
Total Equipment Purchases (To Budget Summary, Line 7)		$

Section IV: Purchased Services		
Cost Item		Amount
A.		$
B.		
C.		
Total Purchased Services (To Budget Summary, Line 8)		$

APPENDIX - V

NEW YORK STATE EDUCATION DEPARTMENT
OFFICE OF VOCATIONAL AND EDUCATIONAL SERVICES
FOR INDIVIDUALS WITH DISABILITIES
CONTRACT MANAGEMENT UNIT

QUARTERLY CONTRACT EXPENDITURE REPORT

FACILITY: PREPARED BY: TELEPHONE #:		FOR VESID USE ONLY REVIEWED BY: APPROVED BY:	
CONTRACT NUMBER:	PLEASE CHECK: EXPENSES ARE ACCRUAL CASH PLEASE CHECK: REVENUES ARE ACCRUAL CASH		
CONTRACT PERIOD:	PERIOD REPORTED:	QUARTER REPORTED: *1st* 2nd 3rd FINAL	

ITEM DESCRIPTION	APPROVED BUDGET	CONTRACT EXPENSES THIS QUARTER	CUMULATIVE CONTRACT EXPENSES
1. SALARIES			
2. FRINGE BENEFITS			
3. GENERAL OPERATING			
4. INDIRECT COSTS			
5. EQUIPMENT			
6. PURCHASED SERVICES			
7. TOTAL GROSS EXPENSES			
8. less REVENUE			
9. NET OPERATING COSTS			

STATEMENT OF CERTIFICATION: I hereby certify that the information contained herein is valid and accurate to the best of my knowledge.

Signature of Executive Director or person of comparable authority:

____

Date:__________

APPENDIX - VI

11000 NEW YORK STATE EDUCATION
DEPARTMENT

OFFICE OF VOCATIONAL AND EDUCATIONAL SERVICES
FOR INDIVIDUALS WITH DISABILITIES
CONTRACT MANAGEMENT UNIT

DETAIL OF PERSONNEL AND FRINGE BENEFIT COSTS

Facility:					
Contract #:		Contract Period:		Reporting Period:	
Title:	Name:	Annual Salary	% of Time Allocated to Program	Salary Allocated to Program	Fringe Benefits

APPENDIX -

11000

NEW YORK STATE EDUCATION DEPARTMENT
OFFICE OF VOCATIONAL AND EDUCATIONAL SERVICES
FOR INDIVIDUALS WITH DISABILITIES

CONTRACT MANAGEMENT UNIT

BUDGET MODIFICATION REQUEST FORM

FACILITY:

CONTRACT NUMBER:

BUDGET PERIOD:

ITEMS OF EXPENDITURE	CURRENT BUDGET AMOUNTS	REQUESTED MODIFICATION	REQUESTED BUDGET AMOUNTS
1. SALARIES			
2. FRINGE			
3. GENERAL OPERATING			
4. INDIRECT COSTS			
5. EQUIPMENT			
6. PURCHASED SERVICES			
7. less REVENUE			
TOTAL BUDGET			
CONTRACTORS SIGNATURE:	TITLE:		DATE:
VESID APPROVAL:	TITLE:		DATE: