

January 31, 2006

The Committee for Purchase From People Who are Blind or Severely Disabled  
Jefferson Plaza 2  
Suite 10800  
1421 Jefferson Davis Highway  
Arlington, VA 22202-3259

**RE: Comments Regarding Advanced Notice of Proposed Ruling Making on  
Nonprofit Agency Governance and Executive Compensation**

Dear Sir or Madam:

These comments are submitted on behalf of the Commission on Accreditation of Rehabilitation Facilities ("CARF"). These comments are in response to the request for comments that appeared in the December 16, 2005 Federal Register on potential regulations regarding the qualification requirements of both central nonprofit agencies and nonprofit agencies to participate in the Javits-Wagner-O'Day (JWOD) Program. The comments also address the guidelines under which executive compensation will be considered as either influencing or not influencing fair market prices.

CARF is an international nonprofit accrediting body providing accreditation in the human services field, focusing on the areas of rehabilitation, employment and community services for children, families, and the aging. The mission of CARF is to promote the quality, value, and optimal outcomes of services through a consultative accreditation process that centers on enhancing the lives of the persons served.

CARF applauds the Committee for recognizing the value and importance of qualification standards in order to demonstrate good governance practices and, thereby, eligibility to participate in the JWOD program. However, *CARF would suggest that rather than issuing regulations and attempting to enforce such qualification standards itself, that the Committee consider private accreditation organizations as part of the overall solution.* National accreditation review as a means of ensuring compliance with a variety of business standards including private benefit, intermediate sanctions, and executive compensation laws should be delivered by independent, non-governmental organizations in a public-private partnership at significant cost savings to the government.

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CARF believes that national accreditation is a valuable mechanism that will allow many organizations to demonstrate compliance with the potential requirements as suggested by the Committee in its December 16, 2005 Federal Register announcement. This can be analogized to the situation that exists in many states and in other federal agencies (such as the Department of Health and Human Services) whereby accredited organizations have “deemed status” (i.e., they are deemed to be in compliance with federal program requirements). In a deemed status situation, accreditation relieves pressure from the regulator by ensuring the existence of evidence that the organization is in compliance with program guidelines.

For example, CARF has developed and implemented “Business Practices Standards” that specifically address the benchmarks outlined in the Committee’s Federal Register announcement under the section entitled “Qualified Agencies Have Good Governance Practices.” Conformance with CARF’s new governance standards requires CARF-accredited organizations to have the following policies in place:

- policies defining independent and unrelated board representation;
- policies on financial matters between the organization and its board members, including compensation, loans, and expense reimbursement;
- policies on the use of external advisors, including auditors and executive compensation advisors;
- policies requiring annual ethics and conflict of interest declarations;
- board oversight of committee work around governance development and management, financial audit, and executive compensation; and
- policies addressing executive compensation, including all specific issues involved in this complex topic.

Attached is a copy of the “Business Practices” section of CARF’s 2006 Employment and Community Services Standards Manual for your review. In it, you will find further details on CARF’s business practices standards as they could be easily applied to JWOD-participating agencies.

Utilizing private accreditation organizations, such as CARF, as a means to ensure quality and JWOD eligibility is an expeditious and efficient response to addressing concerns about good governance. The incorporation of national accreditation into the JWOD Program would essentially leverage the manpower that the Committee has available and not burden the Committee with the high costs of hiring additional staff to review and enforce such accreditation standards. Moreover, organizations that undergo accreditation are typically in a state of readiness for their next accreditation review, and thus, would be consistently monitoring their own compliance with private benefit and excess benefit laws if those laws were made part of the accreditation process.

During the January 12, 2006 “Committee for Purchase” hearing, representatives from CARF testified to the value of incorporating national private accreditation into the JWOD program. During that hearing, CARF representatives received questions regarding several issues associated with such accreditation as it would pertain to the JWOD Program. Below is an attempt to clarify or more fully address several of those questions/issues.

- **Compliance with the Definition of “Severely Disabled:”** The definition of the term “severely disabled” is determined by funding authorities. The organization is expected to maintain its service process and delivery within the guidelines established by such funding authorities. Authorities may include local, county, state, and federal source definition. This compliance with the definition of severely disabled would be demonstrated to the surveyors through policy and record reviews.
- **CARF Fees:** CARF fees are dependent on the size and complexity of the organization and include application (“Intent to Survey”) and survey fees. The intent to survey fee is \$850. The cost of the surveyors to conduct the consultative survey is \$1,250 per day, per surveyor. (These costs are all inclusive and there are typically four surveyor days.) Therefore, total cost is approximately \$5850 and over the life of a three-year accreditation, the annual cost would amortize to \$1,950 per year. There are additional benefits associated with being CARF accredited including membership at a discounted rate to “EditU” – an online training source by SkillSoft and IBM, as well as potential premium savings pursuant to agreements between CARF and certain insurance carriers.
- **Recognition of Multiple Accreditors:** The Committee should recognize national accrediting bodies such as CARF and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO). Additionally, recognized educational accreditation should also be considered by the Committee. An accrediting body should be able to identify and publicize the actual program capacities or competencies in which they can accredit services. In national accreditation, those accrediting bodies need to maintain the highest rigor and should include a risk management system.
- **Executive Compensation:** Currently, CARF supports the use of IRS regulations regarding executive compensation. If additional guidelines are required for setting salaries, the contracting agency can require that as part of its arrangements, and CARF can incorporate it into its standards or accreditation survey process.
- **State Recognition of CARF accreditation:** The number of states that recognize CARF for the various accreditation areas, either for the use of their own system or for contracted

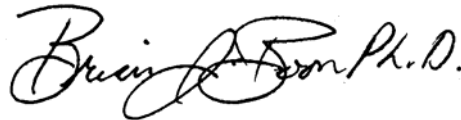
agencies are listed below. Additionally, CARF is currently marketing accreditation of “One Stop Career Centers” in several states.

- Alcohol and Other Drug Abuse - 26 states
- Brain Injury - 12 states
- Medical Rehabilitation - 27 states
- Mental Health - 32 states
- Developmental Disabilities - 29 states
- Vocational Rehabilitation - 24 states

In conclusion, CARF recognizes that there has been increased interest by Congress and government agencies in qualification standards with regard to the JWOD Program in the recent past. As these entities proceed with the potential development of qualification standards, CARF encourages coordination of these efforts so that various standards are not in conflict and are not overly burdensome. We strongly believe that utilization of private accrediting bodies is an essential part of this improvement process.

Thank you for your consideration and opportunity to submit comments. Please contact us with any questions.

Sincerely,

A handwritten signature in black ink that reads "Brian J. Boon, Ph.D." in a cursive script.

Brian J. Boon, Ph.D.  
President/CEO