

## **Policies and Procedures - Accounting**

### **Standard Operating Procedure**

#### **TVAREF SOP-01 - Accounting**

**Revised Date - July 22, 2010 - Original Date - June 25, 2008**

#### **Accounting Policies & Procedures**

Financial statements for the Tampa VA Research and Education Foundation, Inc. (TVAREF) will be presented on the accrual basis in order to conform to the American Institute of CPA's Generally Accepted Accounting Principles, but the underlying books and record keeping may be kept on a cash basis.

**Internal Accounting Control System:** The safeguarding of assets and the reliability of financial records are the primary objectives of the TVAREF's internal accounting controls. An organizational chart that clearly defines the organization's activities by function shall be established and maintained as well as a detailed chart of accounts that defines the types of items chargeable to each category. A system of controls over revenues and expenses, including comparisons with approved budget estimates shall be established and maintained.

**Back-up of Accounting Data:** To protect against the loss of accounting data, the TVAREF's accounting files are maintained on a local server and backed up by Intuit (QuickBooks) on a daily basis and are available on line.

**Audits:** OMB requires any nonprofit corporation handling government funds to be audited (OMB Circular A-133). when they reach a total of \$500,000 in federally funded grants. Auditor service fees must include the statement that it is on condition of an audit acceptable for the federal agency. TVAREF will be audited annually by a local accounting firm.

**Capitalization:** All depreciable assets (equipment) purchased with TVAREF funds for permanent long term use with a cost over \$5,000 will be capitalized using standard accounting methods. Capitalized assets will be reflected on the Balance Sheet reviewed by the Board.

**Reconciliation:** The Assistant Director of Finance will reconcile the bank statements within one month of receipt.

**Annual Budget:** The TVAREF will present an annual budget to the Board for approval. At Board meetings, financial reports are presented by the Executive Director and reviewed by the Board.

**Check Receipt:** All checks received by the TVAREF must be recorded into a log book maintained by the support staff. The log must include the following information: date of receipt, name of company, check amount, check number, invoice number (if applicable), project number, date presented to Accountant for deposit and any necessary comments. After checks are recorded into the log, the checks are presented to the Executive Director for deposit. The Executive Director or Procurement Officer deposits the funds. The Assistant Director of Finance reconciles the log to the deposits on a monthly basis.

**Deposit of Funds:** All funds received are to be date stamped upon receipt in the TVAREF office and are to be deposited within three (3) days of receipt.

**Financial Loans:** financial loans may not be made to any Director, Officer or staff member of the TVAREF, or to any research personnel for any purpose.

### **Inspector General Oversight**

The programs and operations of the TVAREF are subject to the scrutiny and review of the VA Inspector General (I.G.). A formal list of suggested audit procedures is listed in the OMB publication #1171, "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions."

### **Accounts**

Separate accounting shall be kept of unrestricted and restricted funds. All unrestricted gifts, grants or bequests shall be considered available as corporate operating funds unless appropriated by the Board for a specific purpose.

Separate accounting shall be maintained for each research activity being conducted through the TVAREF. Each research activity budget shall include an Administrative Overhead Fee/Indirect Cost Rate. The fee level will be determined by the Board of Directors annually, but shall not be less than 25% of the total estimated project cost. In certain special cases, the Administrative Overhead Fee/Indirect Cost Rate may be adjusted or waived at the discretion and at the direction of the Board of Directors. All Administrative Overhead Fees/Indirect Cost Rates shall be available as corporate operating funds.

All funds are to be deposited into an appropriate, federally insured, interest-bearing account(s) in the name of the TVAREF. No funds may be accepted unless they are made payable to the Tampa VA Research and Education Foundation, Inc. (TVAREF). Interest accruing from TVAREF deposits and/or investments shall be reflected in the corporate operating fund account.

### **Inactive Accounts Policy**

Accounts established to support research and development and education are ultimately the responsibility of the Board of Directors. In an effort to maximize usage and to ensure that we meet the highest accounting standards, principal investigators/account holders are expected to utilize accounts for the purposes indicated by the donor, sponsor or grantor.

Inactive accounts (those with no activity for a continuous 12 month period) will be reviewed by the Executive Director, and subsequently the primary investigator/holder of the account will be asked to provide a plan for utilization of the funds within 30 days of receipt of the memorandum. If the investigator/holder fails to respond, then the Board reserves the right to absorb the funds into the general account. If TVAREF finds that the PI has left the institution and failed to leave closeout information, the Board reserves the right to dispose of the funds in a fashion which benefits the mission of the TVAREF.

### **Acceptance & Deposit of Funds**

All donations must be made payable to the James A. Haley Veterans' Research and Education TVAREF, not to any individual. Any donation made payable to an individual shall be returned to the donor. Any donation not accompanied by a donation letter shall be acknowledged in writing by the TVAREF. Such acknowledgment shall include the purpose to which the TVAREF will apply the donation.

Donations in support of research by a Principal Investigator can only be accepted if the Principal Investigator holds a VA appointment. Such donations can be in support of specific research projects or of a specific PI's general research.

Upon receipt, all funds are to be deposited into an appropriate, federally insured, interest-bearing account(s) in the name of the TVAREF. Interest income shall be included in the corporate operating fund account.

Principal Investigators shall be notified of receipt of funds and when they will be available for use. All research projects must receive a formal review by the VA R&D Committee and be approved by the appropriate committees and subcommittees prior to any funds being expended by the TVAREF. The PI should furnish a copy of the full approval letter to be maintained in the TVAREF files.

Separate accounting shall be kept of unrestricted and restricted funds. All unrestricted gifts, grants, or bequests not restricted to a specific Principal Investigator by the donor shall be considered available as corporate operating funds unless appropriated by the Board for a specific purpose.

Separate accounting shall be maintained for each research project being conducted through the TVAREF. Principal Investigators shall be sent financial statements, at least quarterly, as to the status/balance of their research account(s) unless other arrangements are made.

### **Sources of Revenue**

The general categories for revenue are: (A) voluntary health agency and private TVAREF grants; (B) corporate sponsored grants or studies or gifts; (C) federally-funded programs; (D) transfer funds and; (E) miscellaneous. The administration of funding may vary depending on the stipulations of the funding source.

Funds derived from indirect support provided by the sponsored research or education activities administered by the TVAREF will be used to support the operation of the TVAREF. These TVAREF funds may also be used to respond to the needs for direct or indirect research costs or educational and training support as identified by the Executive Director and the TVAREF Board of Directors. The Board of Directors must approve all support provided.

### **Voluntary Health Agency/Private TVAREF Studies**

Funding in this category is derived from nonprofit entities to support a specific research or education proposal or a career development award. Indirect cost reimbursement rates vary among sponsors. Some sponsors in this category have written policies that either state the organization does not provide overhead costs or that sets limits for this support. The investigator should review the proposal and budget with TVAREF prior to submission to the sponsor. If required by policy, TVAREF may accept and administer these sponsored awards with less than its approved indirect cost rate.

### **Federal Programs**

This category consists of grants or contracts from federal agencies, other than VA but including the National Institutes of Health or Department of Defense. An indirect cost rate is negotiated with the relevant agency. The indirect costs are provided to the grantee institution in addition to the direct costs provided for support of the studies. Effective

November 2, 2008, the TVAREF Indirect Cost (IDC) rate is now 39%. Please use this percentage for all incoming grant submissions.

### **Corporate Sponsored Research or Education Grants**

Funding in this category is usually provided by pharmaceutical or other commercial sponsors involved in the development of new drugs or devices, or in the support of medical research or education. The studies may be investigator-initiated or sponsored by the pharmaceutical company. Negotiations for this type of award should ensure that the TVAREF indirect cost rate of 25% effective November 2, 2008, is provided as an additional cost to the funding required for the study. The applicable rate should be reviewed with TVAREF administrative staff.

The Department of Veterans Affairs Office of General Counsel has determined that the appropriate mechanism for industry-sponsored or funded research is a Cooperative Research and Development Agreement (CRADA).

The Veterans Health Administration (VHA) Directive (2007-044) requires the use of a CRADA for industry-funded studies and was effective March 26, 2008. Clinical research agreements existing at that date or before do not need to be revised.

TVAREF cannot accept funds where the sponsor will acquire any services or product, other than review of intellectual materials or results, as an outcome of the research being supported.

### **Transfer Funds**

Investigator members may transfer funds from accounts in other nonprofit institutions to TVAREF. Indirect costs may have already been deducted or may not have been requested on these funds. Transfer funds will not be subject to TVAREF administrative overhead charges. Such exemption does not extend to funds in support of an active project being transferred; rather, project funds will follow the stipulations or guidelines of the funding agency or institution.

### **Miscellaneous Support**

Sources for funding in this category may be broad and may include gifts or other donations from individuals or public or private entities. Single awards or donations of \$2,000 or less will not be charged overhead unless the award represents a portion of a larger contribution. Deposits totaling more than \$2,000 generally will have an overhead rate applied to unrestricted donations that are not related to a specific project or projects. Deposits totaling more than \$2,000 generally will have an overhead rate applied to unrestricted donations that are not related to a specific project or projects, but can be waived by the Chair of the Board of Directors.

**Ethical Considerations:** VA investigators sometimes wish to have an honorarium, consulting, or speaker fee directed to a VA-affiliated nonprofit corporation such as TVAREF as a donation in lieu of accepting it personally. Some apparently do this in the belief that donating a fee to a nonprofit relieves them of the need to make sure the subject of their presentation is not related to their official VA duties or the need to take annual leave. However, federal ethics regulations at 5 CFR §2635.807 allow federal employees to earn fees for presentations related to their official duties only if they are teaching a course requiring them to make multiple presentations during a program of education or training sponsored and funded by the federal government or by an institution of higher education, an elementary school, or a secondary school. As far as we have been able to determine, this

is the only exception; there is no exception for turning the payment into a donation to a nonprofit.

**Tax Implications:** Investigators sometimes also believe they will not be assessed personal income taxes on a speaker fee if they instruct the payer to send the check to a nonprofit. However, the IRS is likely to view as income amounts earned any time there is a quid pro quo -an exchange of goods or services for payment - or when an individual exercises control over dispensation of payment. Such payments may be taxable to that individual regardless of whether payment goes to a nonprofit or the individual accepts it personally. Acceptance of such funds may be viewed as tax avoidance by the IRS, affecting both the investigator and the nonprofit.

**Personal Benefit Concerns:** Finally, investigators often wish to specify - or simply expect that their donation of speaking fees, writing fees and consulting payments will be available to support their own research. In some cases, investigators may want to direct a personal donation for their own research program.

In IRS terms, their expectation is that use of the gift is "restricted" to their own research. However, the IRS has asserted that such contributions could provide a prohibited actual or perceived benefit to the donor if the donor subsequently controlled or even influences use of the gift. This jeopardizes the nonprofit's exempt status because no nonprofit assets may benefit an individual associated with the organization.

The TVAREF Board of Directors has formally determined that gifts from members will only be accepted if completely unrestricted or used for a research program other than the member's program. One option is for PI to send a letter to the sponsor requesting an unrestricted donation to TVAREF in lieu of an honorarium. These funds may be deposited into general funds. Use of the funds will be under the control of the Board of Directors.

### **Administrative Overhead Fee**

Each research activity shall include an Administrative Overhead Fee or an Indirect Cost Rate. The fee level will be determined by the Board of Directors annually. The current rate for pharmaceutical grants is 25% effective November 2, 2008. In certain special cases, the Administrative Overhead Fee/Indirect Cost Rate may be adjusted or waived at the discretion and at the direction of the Board of Directors. All Administrative Overhead Fees/Indirect Cost Rates shall be available as corporate operating funds. For Federally funded grants, the Indirect Cost Rate was negotiated with the agency at the provisional rate of 39% for the current year. Further negotiations will establish the appropriate rate.

### **Utilization of Funds**

All TVAREF checks require two signatures either/or Chairman of Board, Executive Director, Assistant Director of Administration/Grants.

**Administrative Expenses:** All expenditures from the corporate operating funds must be limited to those which further the purpose of the TVAREF. This includes expenditures for equipment and supplies, personnel, subscriptions, education, travel and entertainment.

**Research Accounts:** Principal Investigators are responsible for the research activity accounts. Distribution of funds will be from the appropriate research account. All requests for expenditures must be made and approved by the Principal Investigator or designee. If the Executive Director reviews a proposed expenditure and deems it inappropriate, the Principal Investigator may seek review by the Board of Directors for final disposition. NOTE:

All disapproved requests will be retained in the TVAREF Research Files as evidence of review and disapproval for future audits.

**Entertainment Expenses:** TVAREF research funds may be used for reasonable business-related entertainment expenses if the primary purpose of the expense item is related to a research activity. Such expenses are to be charged against the appropriate research activity account.

TVAREF corporate operating funds may also be used for reasonable business-related entertainment expenses if the primary purpose of the expense is related to furthering the purpose of the TVAREF and/or research activities at the JAHVAH. (See Meeting and Conference Support Policy).

**Reimbursement of VA Services:** Specific medical center costs incurred for clinical/diagnostic/support services provided solely for the purpose of obtaining data on patients in a funded study, exclusive of routine patient care, should be reimbursed. Such reimbursements should be made from the appropriate research activity account. Reimbursable services may include, but are not limited to: Radiology, Laboratory, Pharmacy, and specific sections of Medicine and Neurology. Projected Medical Center costs that may be generated beyond normal patient care are to be budgeted by the Principal Investigator and reserved for payments against bills of collection from the JAHVAH.

**Purchasing:** Supplies and expenditures in support of research activities such as chemicals, animal, laboratory supplies, etc., may be requested by the Principal Investigator by submitting the appropriate paperwork to the accounting assistant. All purchase requests must be submitted on TVAREF purchase order forms, not VA forms. All purchase requests must be submitted on Tampa VA Research and Education Foundation, Inc. (TVAREF) purchase order forms, not VA forms within 30 days of purchase in order to be reimbursed. All receipts not submitted within 30 days of purchase is not reimbursed by the Foundation. The accounting assistant reviews paperwork for appropriateness and to ensure all items are filled in properly. The Executive Director reviews and approves all purchases over \$500. The procurement officer orders all items; the Principal Investigator reviews orders upon receipt and then returns the packing slips to the accounting assistant as verification of receipt. Payment is made after an original invoice is received.

If the TVAREF Executive Director reviews a proposed expenditure and deems it inappropriate, the Principal Investigator may seek review by the Chairman of the Board of Directors for final disposition.

NOTE: All disapproved requests will be retained in the TVAREF Research Files as evidence of review and disapproval for future audits.

All expenditures for the PI over the amount of \$2000 must be approved by the Executive Director as well as the Principal Investigator. Expenditures under \$500 can be made without Executive Director or Principal Investigator or designee's approval if a signed purchase order is received with backup material justification.

**Equipment Inventory/Limitations:** Equipment is any depreciable asset purchased for permanent long term use. All short term use corporate purchased equipment (i.e., computers, printers, etc) is to be inventoried annually and records maintained in the corporate offices on the location and assignment. Equipment purchased with TVAREF funds must be tagged with a TVAREF property tag and registered with Acquisitions and Material Service as non-government equipment on loan to the VA. Equipment purchased under

federal grants will be handled according to guidance provided in 2CFR 215.34 and will be tracked in same manner as all other equipment.

The Board of Directors must approve the transfer or sale of all corporate-purchased equipment. Should a Principal Investigator want to transfer equipment to another not-for-profit institution, a written request must be submitted to the Board. No equipment may be transferred to a for-profit institution. All correspondence to and from the receiving entity should be retained in the TVAREF files for documentation. The TVAREF will retain physical possession of all equipment until such time that it is distributed to an appropriate individual or entity. Transfer or sale of equipment purchased under federal grants will be handled according to guidance provided in 2 CFR 215.34.

All equipment purchased by the TVAREF must be maintained using TVAREF funds. TVAREF funding may be used to repair VA equipment if the PI/Member has no VA funds but continues to use VA equipment in support of approved research funded through the TVAREF.

TVAREF research monies may be used to purchase hardware accessories for VA-purchased research equipment so long as attachments are external can be identified and removed. The sole justification acceptable for purchasing attachments to VA equipment with TVAREF research monies is that such attachments are required in order to complete VA-approved TVAREF research projects. In the rare instance where internal attachments to VA research equipment are required, such attachments must be donated to the VA and the TVAREF will lose all rights to any part of the equipment.

TVAREF funds may not be used to purchase hardware accessories for equipment personally owned by a Member, Director, staff member or researcher. TVAREF funds may not be used to repair the personal property of any Member, Director, staff member or researcher.

**Continuing Education:** Expenditures for continued education, including scientific books, conference and registration fees, society memberships, etc., specifically relating to a research activity may be requested by submitting the appropriate paperwork to the TVAREF. Subscriptions or professional association dues, with the exclusion of license fees, may be paid from appropriate research or general operating funds upon approval by the Executive Director. All dues and subscriptions must list the address of the VA.

**Travel:** TVAREF funds may support domestic or foreign travel expenses to bona fide scientific meetings or for other research and/or educational conference/seminars. Travel charged to a research account must be limited to purposes related to that research activity. Travel charged to the corporate operating account must be limited to purposes which further the mission of the TVAREF.

All travel by VA employees paid by the TVAREF must be pre-approved in accordance with the appropriate policies of the Veterans Health Administration (a request for authorized absence, and submission of VA Form 0893, "Advance Review of Offer to Donate Support for Official Travel"). This approval allows VA salaried employees to travel on Authorized Leave. A memo requesting funds for travel must be submitted in advance of the travel. When travel has been completed, a voucher request for expense reimbursement should be submitted. TVAREF funded travel for VA salaried employees or VA WOC employees may be at the rates set by the Board of Directors, not necessarily at government per diem rates and rules, unless traveling on federal funds. Current per diem rate set by the Board of Directors for miscellaneous and incidental expenses are the latest per diem rate set by the IRS.

Lodging expenses will be paid for original receipt charges up to the normal convention hotel rates.

**Travel Restrictions:** On trips, VA and non-VA employee meal expenses may not exceed the per day amount set up by the TVAREF, plus a "reasonable" amount for hotel (determined by the city and meeting site hotels involved). Traveler may claim full per diem for travel days. Maximum transportation reimbursement should be limited to the equivalent direct coach fare by airplane, plus reasonable local ground transportation costs. First class airline fare may be approved only if justified based on physical disability. Requests for items that cost over \$25 should be backed up by original receipts. Cash advances can be provided for travel only if requested and approved. VA salaried employees who are traveling at TVAREF expense, must have a VA Form 0893 on file for specified travel.

TVAREF personnel traveling on government grant funds are restricted to the same per diem limits (IRS Guidelines) as government employees. (See Travel Policy).

**Reimbursements:** The TVAREF's Director, staff or research personnel may request reimbursement for purchase of items in support of research or TVAREF activities. An itemized reimbursement form must be completed with original receipts attached and submitted to the Executive Director for approval. If the Executive Director deems the Reimbursement Request, in whole or in part, to be inappropriate, the Principal Investigator may seek review by the Board of Directors for final disposition.

**NOTE:** All disapproved requests will be retained in the TVAREF Research Files as evidence of review and disapproval for future audits.

**Subject Payments:** Principal Investigators requesting payment to a subject for their participation in research activities must submit the name, mailing address and social security number for each subject. In any case where any subject receives in total the published amount designated by IRS, or more in a calendar year, the TVAREF must submit such year-end information to the IRS and the subject.

**Research Personnel, Contract, or Consultants:** Any VA employee, including TVAREF officers, may not work for pay from the TVAREF on government time. Any salary earned as TVAREF employees must be for hours worked outside their VA tour of duty performing duties other than their usual and customary VA work. A VA employee may not receive pay from a non-governmental source at the direction of the employee's Federal supervisor for services performed off-duty which is part of his official duties. (O.G.C. Advisory 10-91 dated February 11, 1991). A time card for each employee must be submitted to the TVAREF from all employees paid by the TVAREF.

A consultant is an individual that has been contracted to complete a particular aspect necessary to an authorized project. Payment for services will be made upon completion of the contract as a whole or as sections of the contract come due. The consultant must invoice the PI as well as submit a progress report or summary, which the PI attaches to the TVAREF form "Payment for Contractual Services."

**William R. Gower, Jr., Ph.D.**  
**TVAREF, Chairman of the Board**