

VETERANS RESEARCH FOUNDATION OF PITTSBURGH

**Financial & Accounting Policies
Manual**

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INTRODUCTION

The following accounting manual is intended to provide an overview of the accounting policies and procedures applicable to the Veterans Research Foundation of Pittsburgh, which shall be referred to as “VRFP” or “the Foundation” throughout this manual.

VRFP was incorporated in accordance with the laws of the Commonwealth of Pennsylvania. VRFP is exempt from federal income taxes under IRC Section 501(c) (3) as a nonprofit, public benefit Foundation. The Federal Tax ID number is 25-1666090.

VRFP’s tax-exempt mission is:

To enhance the health and well-being of all Veterans by supporting and advancing research and education at VA Pittsburgh Healthcare System while observing the highest ethical standards and conducting all activities with honesty and integrity.

This manual shall document the financial operations of the VRFP. Its primary purpose is to formalize accounting policies and selected procedures for the accounting staff and to document internal controls.

The Board of Directors has approved the contents of this manual as official policies of the Foundation. All VRFP employees are bound by the policies herein, and any deviation from established policies is prohibited.

ACCOUNTING DEPARTMENT OVERVIEW

Internal Accounting Control System

The safeguarding of assets and the reliability of financial records are the primary objectives of internal accounting controls. Accounting controls are concerned with systems of authorization and approval, controls over assets, internal auditing and all other financial matters. Most of VRFP's business transactions can be broken down into four steps:

1. Requisition
2. Approval
3. Execution
4. Recording

In order to achieve effective internal accounting control, these functions should be separated, so that no one person should be in a position where he or she can perform all aspects of an activity.

Foundation

The accounting department consists of two part-time staff that manages and process financial information for VRFP. The positions comprising the accounting department of VRFP, and the abbreviations of each position used throughout this manual, are as follows:

Director of Finance ("DOF")
Accounting Clerk ("AC")

Other officers and employees of VRFP who have financial responsibilities, and the abbreviations of each position used throughout this manual, are as follows:

Executive Director ("ED")
Treasurer ("TR")
Investment Review Committee ("IRC")
Board of Directors ("Board")

Responsibilities

The primary responsibilities of the accounting department consist of, but are not limited to, the following:

General Ledger
Budgeting
Cash and Investment Monitoring
Asset Management
Financial Management of Grants and Contracts
Purchasing
Accounts Receivable and Billing
Cash Receipts
Accounts Payable

Cash Disbursements
Payroll and Benefits
Financial Statement Processing
External Reporting of Financial Information
Bank Reconciliations
Compliance with Government Reporting Requirements
Preparation for annual outside audit (includes draft reports, supporting
schedules and notes)

BUSINESS CONDUCT

Practice of Ethical Behavior

Unethical actions, or the appearance of unethical actions, are unacceptable under any conditions. Each employee must apply her/his own sense of personal ethics, which should extend beyond compliance with applicable laws and regulations in business situations, to govern behavior where no existing regulation provides a guideline. It is each employee's responsibility to apply common sense in business decisions where specific rules do not provide all the answers.

In determining compliance with this standard in specific situations, employees should ask themselves the following questions:

1. Is my action legal?
2. Is my action ethical?
3. Does my action comply with VRFP policy?
4. Am I sure my action does not appear inappropriate?
5. Am I sure that I would not be embarrassed or compromised if my action became known with the Foundation or publicly?
6. Am I sure that my action meets my personal code of ethics and behavior?

Each employee should be able to answer, "Yes" to all of these questions before taking action.

Compliance With Laws, Regulations and Foundation Policies

VRFP does not tolerate the willful violation or circumvention of any Federal, state, local, or foreign law by an employee during the course of that person's employment; nor does the Foundation tolerate the disregard or circumvention of VRFP policy or engagement in unscrupulous dealings. Employees should not attempt to accomplish by indirect means, through agents or intermediaries, that which is directly forbidden.

Implementation of the provisions of this policy is one of the standards by which the performance of all levels of employees will be measured.

Disciplinary Action

Failure to comply with the standards contained in this policy will result in disciplinary action that may include termination, referral for criminal prosecution, and reimbursement to the Foundation or to the government, for any loss or damage resulting from the violation. As with all matters involving disciplinary action, principals of fairness will apply. Any employee charged with a violation of this policy will be afforded an opportunity to explain her/his actions before disciplinary action is taken.

Disciplinary action will be taken:

1. Against any employee who authorizes or participates directly in actions that are a violation of this policy;
2. Against any employee who has deliberately failed to report a violation or deliberately withheld relevant and material information concerning a violation of this policy; or

3. Against any Director, Manager or supervisor who attempts to retaliate, directly or indirectly, or encourages others to do so, against any employee who reports a violation of this policy.

All employees and representatives of VRFP must act with honesty and integrity in fulfilling their responsibilities and complying with all applicable laws and regulations. VRFP has a Whistle Blower policy that is intended to encourage and enable Board and staff members to raise serious concerns within VRFP without fear of retaliation.

FRAUD POLICY

This policy applies to any fraud or suspected fraud involving employees, officers or directors, as well as members, vendors, consultants, contractors, funding sources and/or any other parties with a business relationship with VRFP. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship with VRFP.

Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Executive Director or, alternatively, to the Chair of VRFP's Board of Directors who will coordinate all investigations.

Actions Constituting Fraud

The terms fraud, defalcation, misappropriation, and other fiscal irregularities refer to, but are not limited to:

1. Any dishonest or fraudulent act;
2. Forgery or alteration of any document or account belonging to VRFP;
3. Forgery or alteration of a check, bank draft, or any other financial document;
4. Misappropriation of funds, securities, supplies, equipment, or other assets of VRFP;
5. Impropriety in the handling or reporting of money or financial transactions;
6. Disclosing confidential and proprietary information to outside parties;
7. Accepting or seeking anything of material value from contractors, vendors, or persons providing goods or services to VRFP. Exception: gifts less than [**\$50**] in value;
8. Destruction, removal or inappropriate use of records, furniture, fixtures, and equipment; and
9. Any similar or related irregularity.

Other Irregularities

Irregularities concerning an employee's moral, ethical, or behavioral conduct should be resolved by the Executive Director or the Board.

If there is a question as to whether an action constitutes fraud, contact the Executive Director or the Director of Finance for guidance.

Investigation Responsibilities

The Executive Director has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. The ED may utilize whatever internal and/or external resources s/he considers necessary in conducting an investigation. If an investigation substantiates that fraudulent activities have occurred, the Executive Director will issue reports to appropriate designated personnel and, if appropriate, to the VRFP Board of Directors and/or concerned Veterans Administration officials.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and the Board, as will final dispositions of the case.

Confidentiality

The Board and the Executive Director treat all information received confidentially. Any employee who suspects dishonest or fraudulent activity should notify the Executive Director or the Board Chair immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act.

Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect VRFP and the VA from potential civil liability.

Authority for Investigation of Suspected Fraud

Members of the Board and its designees will have:

1. Free and unrestricted access to all VRFP records and premises, whether owned or rented; and
2. The authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities when it is within the scope of their investigations. Anything removed will remain on VA property.

Reporting Procedures

Great care must be taken in the investigation of suspected improprieties or irregularities so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An employee who discovers or suspects fraudulent activity will contact the Executive Director or the Board Chair. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual(s), his or her attorney or representative(s), or any other inquirer should be directed to the Executive Director or legal counsel. No information concerning the status of an investigation will be given out. The proper response to any inquiry is “I am not at liberty to discuss this matter.” Under no circumstances should any reference be made to “the allegation”, “the crime”, “the fraud”, “the forgery”, “the misappropriation”, or any other specific reference.

The reporting individual should be informed of the following:

1. Do not contact the suspected individual in an effort to determine facts or demand restitution; and

2. Do not discuss the case, facts, suspicions, or allegations with anyone unless specifically asked to do so by VRFP's legal counsel or the Executive Director.

SECURITY

Accounting Department

The VRFP corporate seal will be kept locked in the ED's office.

Blank check stock shall be stored in a locked file cabinet in the Accounting Department. This cabinet will be locked with a key that is kept in the Accounting Department. Access to this file cabinet shall be by keys in the possession of the ED, DOF and AC.

The VRFP Accounting Department does not maintain a petty cash fund.

Access to Electronically Stored Accounting Data

The employees of VRFP are provided access to computers on the VA Pittsburgh Healthcare System (VAPHS) network. Security and Disaster Recovery practices are implemented by VAPHS.

It is the policy of VRFP to utilize passwords to restrict access to accounting software and data. Only duly authorized accounting personnel with data input responsibilities will be assigned passwords that allow access to the system. User access to QuickBooks is restricted to the following VRFP administrative office staff: Executive Director, Director of Finance and the Administrative Support Clerk.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis, in accordance with VAPHS standards.

Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

Storage of Back-Up Files

The VRFP electronic data files are located upon the VAPHS systems. Backups are regularly made and are handled by the VAPHS Office of Information and Technology (OI&T) Department. Additional backups of the QuickBooks data are stored on a VA encrypted flash drive and stored with the ED. Access to back-up files shall be limited to individuals authorized by management. The ED shall be responsible for backing up all QuickBooks accounting data to her flash drive on a regular basis, but not less than at the end of each work week.

General Office Security

During normal business hours, all visitors are required to check in at the front desk. After hours, all internal offices are to be locked and all computer workstations are to be shut down.

GENERAL LEDGER AND CHART OF ACCOUNTS

The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of VRFP, and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports.

Chart of Accounts Overview

The chart of accounts is the framework for the general ledger system, and therefore the basis for VRFP's accounting system. The chart of accounts consists of account titles and account numbers assigned to the titles. General ledger accounts are used to accumulate transactions and the impact of these transactions.

VRFP's chart of accounts is comprised of 11 types of accounts:

1. Bank
2. Accounts Receivable
3. Other Current Assets
4. Fixed Assets
5. Other Assets
6. Accounts Payable
7. Other Current Liabilities
8. Equity
9. Income (Administrative and Project)
10. Expense (Administrative and Project)
11. Other Income and/or Other Expense (Administrative and Project)

There are two types of accounts: real accounts and nominal accounts. Real accounts are asset, liability, and net asset accounts and they appear on the statement of financial position. Nominal or temporary accounts are revenue and expense accounts, as well as gain and loss accounts, and they appear on the statement of activities. VRFP's nominal accounts are annually closed or zeroed out, but real accounts are permanent.

Distribution of Chart of Accounts

All VRFP employees involved with account coding responsibilities (assignment or review of coding) or budgetary responsibilities will be granted access to the current Chart of Accounts within QuickBooks. As the chart of accounts is revised, notification will be given to these individuals promptly. Only the DOF will be responsible for revisions and updates to the chart of accounts.

Control of Chart of Accounts

VRFP's chart of accounts is monitored and controlled by the Director of Finance. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions, deletions or other changes to the Chart of Accounts should be approved and made by the DOF, who

ensures that the chart of accounts is consistent with the structure of VRFP and meets the needs of each division and department.

Account Definitions

General Ledger

<u>Account Range</u>	<u>Category</u>	<u>Definition</u>
100-000 – 199-999	ASSETS	

Assets are probable future economic benefits obtained or controlled by the Foundation as a result of past transactions or events. Assets of VRFP are classified as current assets, fixed assets, contra-assets, and other assets.

Current assets are assets that are available or can be made readily available to meet the cost of operations or to pay current liabilities. Some examples are cash, temporary investments, and receivables that will be collected within one year of the statement of financial position date.

Fixed assets are tangible assets with a useful life of more than one year that are acquired for use in the operation of the Foundation and are not held for resale.

Contra-assets are accounts that reduce asset accounts, such as accumulated depreciation and reserves for uncollectible accounts receivable

Other assets include long-term assets that are assets acquired without the intention of disposing them in the near future. Some examples are security deposits, property and long-term investments.

200-000 – 299-999 **LIABILITIES**

Liabilities are probable future sacrifices of economic benefits arising from present obligations of the Foundation to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of VRFP are classified as current or long-term.

Current liabilities are probable sacrifices of economic benefits that will likely occur within one year of the date of the financial statements or which have a due date of one year or less. Common examples of current liabilities include accounts payable, accrued liabilities, and deferred revenue.

Long-Term Liabilities are probable sacrifices of economic benefits that will likely occur more than one year from the date of the

financial statements. An example would be the non-current portion of a loan.

300-000 – 399-999 **NET ASSETS**

Net Assets represents the difference between total assets and total liabilities. See the next section for VRFP's policies on classifying net assets.

400-000 – 499-999 **REVENUES**

Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute the Foundation's ongoing major or central operations. Revenues of VRFP include payments received for research studies, IPAs, CSAs, University support, Federal subawards, inter-company assessments, public contributions, investment earnings, conference registrations and other items which are allowable revenues to the VRFP.

500-000 – 799-999 **EXPENSES**

Expenses are outflows or other using up of assets or incurrences of liabilities from delivering or producing goods, rendering services, or carrying out other activities that constitute VRFP's ongoing major or central operations.

Classification of Net Assets

Net assets of the Foundation shall be classified based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor imposed stipulations that may or will be satisfied through the actions of the Foundation and/or the passage of time.

Restricted Net Assets - Net assets subject to donor imposed stipulations that the Foundation permanently maintain certain contributed assets. Generally, donors of such assets permit the Foundation to use all or part of the income earned from permanently restricted net assets for general operations or for specific purposes.

Net assets accumulated by VRFP that are not subject to donor imposed restrictions, but which the Board of Directors of the Foundation has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

Fiscal Year of Foundation

VRFP shall operate on a fiscal year that begins on January 1 and ends on December 31. Any changes to the fiscal year of the Foundation must be ratified by majority vote of the Board of Directors.

Journal Entries

All general ledgers entries that do not originate from a subsidiary ledger shall be supported by journal entries, which shall include a reasonable explanation of each such entry. Examples of such journal entries include:

1. Recording of non-cash transactions
2. Corrections of posting errors
3. Non-recurring accruals of income and expenses

Certain journal entries, called recurring journal entries, occur in every accounting period. These entries may include, but are not limited to:

1. Depreciation of fixed assets
2. Amortization of prepaid expenses
3. Accruals of recurring expenses
4. Amortization of deferred revenue (where applicable)

Support for recurring journal entries shall be in the form of an appropriate work paper or other form of backup associated with the underlying asset or liability account.

It is the policy of VRFP that the only the Director of Finance shall, after review and concurrence by the ED, draft, authorize and enter all journal entries outside of those originating from the downloading of payroll related activities (should that method be utilized in the future).

RESEARCH ACCOUNT POLICY

Creation of Research Accounts

Funds administered by VRFP may be designated to support an approved research or education activity only if the individual holds a VA appointment. These activities are performed by these individuals in their capacity as VA employees (with or without compensation). If a VA-salaried account holder terminates VA employment, the individual must obtain a Without Compensation ("WOC") appointment in order to continue the activity and maintain funds within VRFP.

Research projects must have VAPHS Research and Development ("R&D") Committee approval. The Research Office maintains current application procedures/forms on their website. Research projects sponsored by a for-profit company must also have a fully executed Cooperative Research and Development Agreement ("CRADA") prior to R&D approval.

Educational activities supported by VRFP must have the approval of the VAPHS Education Department. Special circumstances may be considered, such as donations or grants for a specific activity related to research or education.

The title of an account will match the title of the research or education proposal as approved by the appropriate committee or a generic account used for unrestricted funds only. VRFP will establish an account upon execution or award of a new CRADA/grant or when receiving a check from a funding source. Funds will be considered a liability due to the payer until documentation of the proper approvals has been provided.

Except in special approved situations, an investigator may have only one account with VRFP for each funded project, and each project may be supported by only one unique account.

VRFP will classify active accounts as "temporarily restricted" or "unrestricted". Accounts will remain active only so long as the project remains approved.

Ownership of Funds

All funds accepted for deposit represent VRFP income and are not to be used for the personal benefit of any individual. All interest earned remains with the Foundation. Money maintained in accounts in the name of individuals is nevertheless the sole property of the Foundation. If an investigator no longer maintains appropriate qualifications to hold this position, all unrestricted funds remaining after outstanding obligations have been met will remain with the Foundation.

Fund Expenditures

Expenditures from any account must be for an approved research or education related activities and/or in support of VRFP's mission.

Distribution of Remaining Funds from Closed Study Accounts

Residual Funds: Funds that remain in accounts after research and educational activities are completed are residual funds and must be returned to the sponsor if there are contractual requirements to do so. Otherwise, residual funds may be maintained in the account and used by the Principal Investigator for legitimate research or education expenses upon approval by the ED and/or the BOD.

Dormant Accounts: Accounts become dormant if there is no activity in the account for 24 months. In that case, the PI of the project with the dormant account will be notified by the Director of Finance that the account is dormant and the funds may be transferred to an administrative account if there is no activity in thirty (30) days. The Principal investigator may petition the ED and/or the BOD for an exception to this policy.

Accounts of Principal Investigators who have left VAPHS: Upon departure of an investigator from VAPHS, residual funds and equipment associated with that investigator may be retained by the VRFP. Alternatively, such funds and equipment may be transferred, but only to another NPC or to a VA medical center, subject to approval by the Board and the recipient NPC or VA entity. Departing investigators may not transfer funds to other organizations such as Universities. If there is an ongoing VAPHS approved research project linked to the account of an investigator who has left VAPHS, the ownership of the account may be changed to a new PI as long as the change in PI is approved by the appropriate VAPHS Research subcommittee (IRB, IACUC or RSEC subcommittees). Residual funds in the accounts of investigators who are leaving VAPHS may not be transferred to other investigators, but will be transferred to a VRFP administrative account as long as there are no contractual requirements to return the funds to the sponsor. If equipment is not transferred to another VA nonprofit or VAMC, it may be reassigned for use by another principal investigator, research group, center or core function by direction of the ED. Such reassignments of equipment may be appealed to the BOD.

REVENUES

Veterans Research Foundation of Pittsburgh (VRFP) accepts monies in support of the research and education mission of VA Pittsburgh Healthcare System. All monies received are the property of VRFP and are subject to the policies and procedures adopted by the VRFP Board of Directors.

Source of Revenue

Funds may be accepted by VRFP from a variety of sources, such as federal or private non-profit agencies, commercial organizations involved in medical research, charitable foundations, professional societies, or individuals. All checks and/or money orders should be made payable to the Veterans Research Foundation of Pittsburgh and mailed directly to our office. Checks which are not made payable to the Foundation and/or actual cash payments will not be accepted.

Revenue Recognition Policy

VRFP receives revenue from several types of transactions. Revenue from each of these types of transactions is recognized in the financial statements of VRFP in the following manner:

1. **Pharmaceutical Revenue (generally via a CRADA):**
 - a) Invoiced Revenue represents the fees charged to various pharmaceutical companies and/or study sponsors in accordance with the CRADA. These invoices are generally issued to cover the costs of IRB review and approval, study procedures, patient participation fees, and other non-case report form (“CRF”) generated fees associated with the research study. These fees are recognized as revenue when invoiced.
 - b) CRF-Generated Revenue represents the fees which are received by the VRFP when pre-determined milestones or protocols are completed. These fees are recognized as revenue when generated and are entered in the VRFP accounting system as “internal invoices” when the milestone and/or protocol is met and remain as part of accounts receivable until the payment is received.
2. **VA Revenue** generally represents invoices issued for salary reimbursements under the Intergovernmental Personnel Act (IPA) agreements which are in place between the Foundation and the VA Pittsburgh Healthcare System. This revenue is recognized when invoiced.
3. **Federal Revenue** represents income received from a Federal entity (HHS, DOD, etc.) via various funding sources including the Federal government itself, universities and other applicable entities. This revenue may be in the form of a prime award, a sub award, a Contractual Services Agreement (“CSA”), CRF-Generated payments for milestones/protocols, etc. All revenue is recognized when invoiced unless the invoice is issued for services which are to occur in the future which will be recognized when earned.
4. **Contracted Revenue** represents income received from various funding streams including, but not limited to, the following:

- a) University support for various items including, but not limited to, salary support, etc.;
- b) Animal care charges and/or per diem fees; or
- c) General contracted revenue received for miscellaneous services which must be tied to an approved research or educational project.

All of the contracted revenue is recognized as income when it is invoiced unless the invoice is issued for services which are to occur in the future which will be recognized when earned.

5. **Assessment Fees** are inter-agency fees which are assessed by several Foundation departments as follows:

- a) Administrative assessments represent the inter-agency fees assessed against revenue received by the Foundation from all sources. This fee is assessed in order to cover the cost of setting up and administering all research and/or services related to projects. This fee may be changed as needed and as approved by the Board of Directors. This assessment is recognized as administrative revenue upon invoicing the funding source. (Note that the project will reflect the income from the funding sources and the assessment to that project will be shown as an expense item).
- b) CTC assessments represent the inter-agency fees assessed against revenue received by projects which choose to utilize the services available through our Clinical Trial Center. This fee is assessed by the CTC and is intended to cover the payout of all allowable costs incurred to conduct each study. The assessment for all patient participation revenue is currently calculated at 70% and 77% (after administrative assessment). These fees are subject to change as necessary in order to maintain the level of service provided by the CTC. (Note that the project will reflect the income from the funding sources and the assessment to that project will be shown as an expense item). This assessment is recognized as CTC revenue upon invoicing the funding source.

6. **Nursing Conference income** represents the education-related income received on behalf of the Greater Pittsburgh Nursing Research Conference which is normally held annually. This income can include, but is not limited to, payments received for individual registration fees and sponsorship fees. This revenue is to be recognized when the conference administrator submits a request for invoicing to the Accounting Department and an invoice is prepared based upon that request and when the attendee pays at the conference. Refunds are not provided for non-attendance, but only in the instance where an individual registration has been duplicated by the attendee in error and the attendee has paid for that attendance twice.

7. **Investment income** consists of several types of income related to the funds which the Foundation maintains in accordance with governmental allowances regarding appropriate investment vehicles.

- a) Interest income represents the interest earned on VRFP investments, whether earned or accrued and is recognized based upon the earnings data provided in the monthly statements received.
- b) Realized gain (loss) on investments represents the actual gain or loss incurred upon the sale of an investment vehicle and is recognized at the end of the month in which the sale occurs.

- c) Unrealized gain (loss) on investments represents the cumulative effects of mandatory adjustments to reflect investments at market value and is recognized at the end of every month.
- 8. **Gain (loss) on Asset Disposition** represents the actual gain or loss incurred upon the replacement or abandonment of fixed assets which are owned by the Foundation and are recognized as the act occurs.
- 9. **Public Contributions** are recognized as income upon receipt, unless accompanied by time or usage restrictions or conditions placed upon them by the donor.

Should a new funding stream present the Foundation with an additional revenue type, it will be documented and approved by the Executive Director and the Director of Finance and will be added to the general ledger when appropriate.

Deferred revenue is reflected at year end only and can be comprised of, but not limited to, the following types of revenue streams:

- 1) Amounts which have been invoiced to the study sponsors but which are retained by that sponsor until the conclusion of the study;
- 2) Amounts invoiced to sponsors in accordance with the appropriate agreement, but for which services have not yet been rendered; or
- 3) Revenue invoiced for participation in the annual nursing conference to occur in the following year.

CONTRIBUTIONS RECEIVED

Definitions

The following definitions shall apply with respect to the policies described in this section:

Contribution - An unconditional transfer of cash or other assets to the Foundation, or a settlement or cancellation of the Foundation's liabilities, in a voluntary nonreciprocal transfer by another entity acting other than as an owner.

Condition - A donor-imposed stipulation that specifies a future and uncertain event whose occurrence or failure to occur gives the promisor a right of return of the assets it has transferred to the Foundation or releases the promisor from its obligation to transfer its assets.

Restriction - A donor-imposed stipulation that specifies a use for the contributed asset that is more specific than broad limits resulting from the nature of the Foundation, the environment in which it operates, and the purposes specified in VRFP's articles of incorporation and bylaws. Restrictions on VRFP's use of an asset may be temporary or permanent.

Nonreciprocal Transfer - A transaction in which an entity incurs a liability or transfers assets to VRFP without directly receiving value from VRFP in exchange.

Promise to Give - A written or oral agreement to contribute cash or other assets to VRFP.

Exchange Transaction - A reciprocal transaction in which VRFP and another entity each receive and sacrifice something of approximately equal value.

Distinguishing Contributions from Exchange Transactions

VRFP receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. VRFP shall consider the following criteria, and any other relevant factors, in determining whether income will be accounted for as contribution income, exchange transaction revenue, or both:

1. VRFP's intent in soliciting the asset, as stated in the accompanying materials;
2. The expressed intent of the entity providing resources to VRFP (i.e. does the resource provider state its intent is to support VRFP's programs or that it anticipates specified benefits in exchange?);
3. Whether the method of delivery of the asset is specified by the resource provider (exchange transaction) or is at the discretion of VRFP (contribution);
4. Whether payment received by VRFP is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by VRFP, or the cost of those assets plus a markup (exchange transaction);
5. Whether there are provisions for penalties (due to nonperformance) beyond the amount of payment (exchange transaction) or whether penalties are limited to the delivery of assets already produced and return of unspent funds (contribution); and

6. Whether assets are to be delivered by VRFP to individuals or Foundations other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or Foundations closely connected to the resource provider.

Acceptance of Contributions

Funds may be accepted by the Foundation from such sources as Federal or private nonprofit agencies engaged in the support of research and/or VA related education from commercial organizations involved in the development of new drugs and devices or in the support of medical research and/or education, or from groups or individuals to defray the costs of scientific meetings, teaching sessions or other legitimate educational functions. All checks must be made payable to the Foundation. No two party checks should be accepted. Funds donated in support of a particular activity can be accepted only if the responsible investigator holds an appointment at the VA Pittsburgh Healthcare System.

Restricted Gifts

Before accepting any restricted donation, the Executive Director shall review the conditions the donor wishes to impose on the investigator and/or Foundation in terms of how the funds can be used. The ED should authorize acceptance of the gift only when s/he is satisfied that the conditions can be met, legally, ethically and organizationally.

A letter from the donor must accompany a gift-donation indicating that the check represents a gift to be used by an investigator, or VRFP, in support of one or more various research programs. Further, the letter should indicate that the gift is irrevocable and does not impose contractual requirements on the Foundation beyond the reporting of research results. VRFP will provide acknowledgement of the gift by letter to the donor. The donor's letter setting forth the restrictions should also contain a clause authorizing VRFP to utilize any residual funds as it sees fit in the event the concerned investigator should leave the VA before completing the project or if money remains after the project has been completed.

Accounting for Contributions

VRFP shall recognize contribution income in the period in which the Foundation receives restricted or unrestricted assets in nonreciprocal transfers, or unconditional promises of future nonreciprocal asset transfers, from donors. Contribution income shall be classified as increases in unrestricted, temporarily restricted, or permanently restricted net assets based on the existence or absence of such restrictions.

Unconditional promises to give shall be recorded as assets and increases in temporarily restricted net assets (contribution income) of VRFP in the period that VRFP receives evidence that a promise to support the Foundation has been made. Unconditional promises to give that are to be collected within one year shall be recorded at their face value, less any reserve for uncollectible promises, as estimated by management. Unconditional promises to give that are collectible over time periods in excess of one year shall be recorded at their discounted net present value. Accretion of discount on such promises to give shall be recorded as contribution income in each period leading up to the due date of the promise to give. The interest rate that shall be used in calculating net present values of unconditional promises to give is the risk-free rate of return available to VRFP at the time the Foundation receives a promise from a donor.

When the final time or use restriction associated with a contributed asset has been met, a reclassification between temporarily restricted and unrestricted net assets shall be recorded.

If the time comes when VRFP begins to receive support in the form of volunteer labor, the Foundation shall record contribution income and assets or expenses if one of the following two criteria is met:

1. The contributed service creates or enhances a non-financial asset (such as a building or equipment), or
2. The contributed service possesses all three of the following characteristics:
 - a. It is the type of service that would typically need to be purchased by VRFP if it had not been contributed;
 - b. It requires specialized skills (i.e. formal training in a trade or profession); and
 - c. It is provided by an individual possessing those specialized skills.

Contributed services that meet one of the two preceding criteria shall be recorded at the fair market value of the service rendered.

Receipts and Disclosures

VRFP and its donors are subject to certain disclosure and reporting requirements imposed under the Internal Revenue Code and the underlying Regulations. To comply with those rules, VRFP shall adhere to the following guidelines with respect to contributions received by the Foundation.

For any separate contribution received by VRFP, it shall provide a receipt to the donor. The receipt shall be prepared by the VRFP Accounting Department. All receipts prepared by VRFP shall include the following information:

1. The amount of cash received and/or a description (but not an assessment of the value) of any noncash property received;
2. A statement of whether VRFP provided any goods or services to the donor in consideration, in whole or in part, for any of the cash or property received by the Foundation from the donor, and
3. If any goods or services were provided to the donor by VRFP, a description and good faith estimate of the value of those goods or services.

All estimates of the fair market value of goods or services provided by VRFP shall be prepared by the Accounting Department.

The Foundation prohibits the sale or lease of Combined Federal Campaign contributor lists.

It is the policy of VRFP to comply with all current federal and state rules regarding solicitation and collection of charitable contributions, whether specifically addressed in this manual or not, as well as all future revisions to those rules.

All contributed services or facilities received by the NPC will be valued at fair market value on the date of that contribution and will be recorded in the financial statements of the Foundation.

FUNDS DONATED FOR EDUCATION AND SCHOLARLY ACTIVITIES

The VRFP may accept and/or administer funds donated to the VRFP if said funds are used to support education and training activities as outlined below. The support and the amount of funds received must be reasonable and appropriate for the proposed activity. Any items purchased as part of an approved activity are the property of the VRFP and must be returned to the VRFP upon completion of the educational activity or upon separation or termination of the employee. All expenditures must follow the pertinent VRFP policy.

Permitted Uses

VRFP may expend funds used for the following education and training activities for which there is no associated VAPHS-approved research:

1. Educational seminars consistent with the mission of the VRFP;
2. Appropriate employee education and training activities consistent with the mission of the VRFP; or
3. Patient education and training activities consistent with the mission of the VRFP.

Prohibited Uses

VRFP may not support the following activities:

1. Any expenditure that is contradictory to any other existing VRFP policy or procedure (e.g., purchase of a first class ticket to travel to an approved educational meeting); or
2. Funds that are designated for an investigator or VAPHS Staff's account within VRFP that are entirely designated as "Unrestricted" Funds.

Definitions

For purposes of this policy, the term "education and training" refers to the following:

In the case of employees of the Veterans Health Administration, the term means:

1. Work-related instruction or other learning experiences to:
 - a. improve performance of current duties;
 - b. assist employees in maintaining or gaining specialized proficiencies; and/or
 - c. expand understanding of advances and changes in patient care, technology and health care administration; or
2. Instruction or training conducted as part of a residency or other program designed to prepare an individual for an occupation or profession.

In the case of Veterans under the care of the Veterans Health Administration, such term means instruction or other learning experiences targeting patients and/or families and guardians of patients related to improving and maintaining the health of Veterans.

Requesting Support

Requests for VRFP support of education activities must be submitted to the VRFP using the form **"Request for Review and Approval of Acceptance of Funds Supporting Scholarly Activities" form** (attachment A).

1. Such requests shall explicitly state how the proposed expenditure for an education activity meets the definition of education and training as defined above.
2. The request will include the VRFP's agreement to accept and/or to administer funds to support the proposed activity.
3. The form will identify the source of the funds that will be used to support the activity.

Please refer to the Operations Manual for further information regarding review and determinations made by the VAPHS Education Department

BILLING/INVOICING POLICIES

The following is a list of items billed and/or accrued and received by VRFP and the frequency with which each is billed:

Monthly or Quarterly Billings

1. Grants and contracts
2. CRADA's
3. Sub awards
4. Miscellaneous Research Funding Agreements
5. IPA's

Periodic Billings

1. Miscellaneous Research Funding Agreements
2. Education Related conference costs

Responsibilities for Billing and Collection

VRFP's Accounting Department is responsible for the invoicing of goods and services as well as the collection of outstanding receivables.

Accounts Receivable Entry Policies

Posting of customer invoices to the accounts receivable ledger shall, whenever possible, be performed by individuals independent of the cash receipts function of VRFP. Posting of credit memos and other adjustments to customer accounts shall, whenever possible, be performed by individuals independent of the cash receipts function.

Classification of Income and Net Assets

All income received by VRFP is classified as "unrestricted", with the exception of the following:

1. Grants and other awards received from government agencies or other grantors, which are classified as temporarily restricted; or
2. Special endowments received from donors requesting that these funds be temporarily or permanently restricted for specific purposes in accordance with the donor's instructions.

From time to time, VRFP may raise other forms of contribution income which carry stipulations that VRFP utilize the funds for a specific purpose or within a specified time period identified by the donor of the funds. When this form of contribution income is received, VRFP shall classify this income as Temporarily Restricted income.

As with all Temporarily Restricted net assets, when the restriction associated with a contribution has been met (due to the passing of time or the use of the resource for the purpose designated by the donor), VRFP will reclassify the related net assets from "Temporarily Restricted" to "Unrestricted" in its

Statement of Financial Position and reflect this reclassification as an activity in its Statement of Activities.

From time to time, the VRFP Board of Directors may determine that it is appropriate to set funds aside for specific projects. To the extent these set-asides result from a Board action, rather than a donor-imposed requirement, the resulting set-aside shall be classified as “unrestricted”. However, to identify these funds as being set aside for special projects, such set-asides shall be labeled “Board-Designated” funds within the unrestricted net assets of VRFP, and shall be reported as a separate component of unrestricted net assets on the VRFP financial statements.

RECEIPTS

“Cash” is the most liquid asset that the Foundation has. Therefore, it is the objective of VRFP to establish and follow the strongest possible internal controls in this area.

In-House Cash Receipts Processing

For funds that are received directly at VRFP (i.e. payments not mailed to a lockbox), cash receipts are centralized to ensure that payments received (in the form of checks, EFTs, wire transfers, etc) are appropriately directed, recorded and deposited on a timely basis.

Mail is opened and a listing of cash/checks received is prepared in an open area by the AC. Upon receipt, checks are stamped “For Deposit Only” by the AC and recorded on the mail receipt log. The checks are then placed in a locked drawer. Access to the locked drawer is restricted to the Treasurer, ED, AC and the DOF.

Endorsement of Checks

It is the policy of VRFP that all checks received that are payable to the Foundation shall immediately be restrictively endorsed by the individual who prepares the daily receipts listing. The restrictive endorsement shall be a rubber stamp that includes the following information:

1. For Deposit Only;
2. Veterans Research Foundation of Pittsburgh;
3. The bank name; and
4. The bank account number of VRFP.

For infrequent deposits into accounts for which an endorsement stamp is not available, the restrictive endorsement will occur by handwriting “For Deposit Only”, the name of the Foundation, the bank name and the bank account number on the back of the check.

Timeliness of Bank Deposits

On a regular basis, preferably weekly, deposit slips are prepared and the checks are deposited through the mail. The deposit slip, checks, and the mail receipt log are given to the Executive Director for review and certification. The deposit is mailed by the Executive Director who then posts the deposit into QuickBooks.

Reconciliation of Deposits

On a monthly basis, the bank statements are received by the Treasurer who reviews the statements and then signs and dates them. The bank statements are then given to the Accounting staff who then reconciles the bank statements to the transactions reflected in the QuickBooks accounting system, signs and dates and then presents the reconciliations, to the Executive Director for final review and approval. The approved bank reconciliations are then returned to the Accounting staff for filing.

On-Site Collections at Conferences and Seminars

All documentation associated with these transactions are brought back and turned in to the accounting department immediately following the conference or seminar. This documentation will include the actual checks collected.

ACCOUNTS RECEIVABLE MANAGEMENT

Monitoring and Reconciliations

On a no less than quarterly basis, a detailed accounts receivable report (showing aged, outstanding invoices by customer) is prepared and reviewed by the Accounting staff. If necessary, actions will be taken on outstanding or incorrect receivables as outlined below.

Collections

Collection efforts are performed on no less than a quarterly basis, using an analysis of the outstanding items reflected on the accounts receivable aging report. This report shows the current month's activity for each customer and prior months' balances outstanding for 30, 60, and in excess of 90 days.

Sponsors and other funding sources with unpaid balances may receive periodic statements, unless the agreed upon payment cycle is specified as greater than thirty days. If 90 days have elapsed without payment, and the delay has not been previously agreed to between the sponsor and the Foundation, contact will be made requesting payment or documentation that payment has already been made.

Credits and Other Adjustments to Accounts Receivable

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. Examples of other credits include returned products and adjustments for sponsor requested billing modifications, or corrections to invoices. Whenever possible, an employee who is independent of the cash receipts function shall process all credits. Alternatively, the credit modification or correction must be authorized by the ED. Additionally, the DOF shall further review and post all credits into the VRFP accounting system.

Accounts Receivable Write-Off Authorization Procedures

It is the policy of VRFP to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. The Principal Investigator or designee associated with the amount to be written off, in conjunction with the DOF, initiates write-offs. If a receivable account is deemed uncollectible, approval from the PI, or designee and the DOF are required before the write-off is processed.

Write off procedures should only occur under limited circumstances. For example, expenditures may occur for a potential study which closes prematurely, thereby resulting in unrecoverable funds within a project. While all attempts are made to pursue this issue with the sponsor and with the PI, periodically, further funds are simply not available and the uncovered expenditures will be written off.

If write-off procedures have been initiated, the following accounting treatment generally applies:

1. Current year invoices that are written off will either be charged against an appropriate revenue or revenue adjustment account or against the original account credited; or

2. Invoices written off that are dated prior to the current year may be treated as bad debt and will reduce the allowance for doubtful accounts, discussed in the next section.

Allowance for Doubtful Accounts

It is the policy of VRFP to maintain an Allowance for Doubtful Accounts. At the end of each fiscal year, the account is adjusted based on the following factors:

1. An analysis of outstanding aged accounts receivable;
2. Historical collection and bad debt experience; and
3. Evaluations of specific accounts based on discussions with the study that originated the sale resulting in the receivable.

Year-end adjustments to the Allowance for Doubtful Accounts shall be performed only by the Director of Finance. This reserve account is used to write off those items that are deemed uncollectible from the prior year after further collection efforts have been abandoned, as described earlier.

EXPENDITURES AND DISBURSEMENTS

Purchasing Policies and Procedures

It is the policy of VRFP to follow a practice of ethical, responsible and reasonable procedures related to purchasing, agreements and contracts, and related forms of commitment. VRFP utilizes a purchase order system as discussed below.

Use of Purchase Orders

It is the policy of VRFP to utilize a purchase order system. A properly completed purchase order shall be required for all purchases of goods and services, with the exception of travel advances and expense reimbursements, which require the preparation of a separate form described elsewhere in this manual.

Responsibility for Purchasing

Principal Investigators who have open accounts with sufficient fund balances, aside from funds which are connected to an ongoing and active study, shall have the authority to initiate purchases on behalf of their departments, within the guidelines established by VRFP. In addition, PI's may delegate purchasing authority to responsible individuals within their department. PI's shall inform the accounting department of all individuals that may initiate purchases or prepare purchase orders. The accounting department shall maintain a current list of all staff that has signature authority for their respective PI's.

The accounting department shall be responsible for processing purchase orders. The Executive Director has approval authority over all purchases and contractual commitments requested by PI's. The Executive Director shall make the final determination on any proposed purchases where budgetary or other conditions may result in denial.

Procedures for Procurement of Goods and Services

Principle Investigators must complete a VRFP purchase order form for each vendor from which he/she wishes to place an order, and submits the request to the Administrative Support Clerk ("AC").

The AC confirms that the form is properly completed, ensures sufficient funds are available in the PI's requested study account, and submits the form to the Executive Director for approval. Once approved, the AC places the order within a reasonable amount of time after receipt of the approved request.

Every effort will be made to achieve delivery as requested in the "Date Required" field. The project account will be charged for any increased shipping costs resulting from rush orders.

Any questions or problems with the order, e.g., significant price difference, back orders, discontinued products, will be conveyed to the Principal Investigator named on the Purchase Order prior to placement of the order. If an order is not received within the expected time frame, the intended recipient should notify the AC, who will follow up regarding anticipated delivery. Upon delivery, packing slips

are retained by the AC and attached to the purchase order. A copy of the purchase order is maintained in the purchase order book and should also be logged into the Purchase Order Tracking Database.

Payments are made after an invoice is received and matched to the corresponding purchase order and packing slip. PO's may also be made with the credit card as needed. All documents are then attached as backup to the check stub or credit card receipt (with copies of the stub if more than one study is being paid with the check) and filed in the appropriate study file.

Equipment Inventory/Limitations

All equipment purchased by the VRFP or donated to the VRFP is the property of the VRFP and does not belong to any individual, Principal Investigator or staff member.

All equipment owned by the VRFP should be identified with a VRFP tag, and inventoried annually with records maintained on the location and assignment. All computer and computer equipment must be inventoried annually regardless of value.

Any transfer of equipment within the VAPHS must be approved by the Executive Director of the VRFP. Transfer of equipment outside the VAPHS must be approved by the VRFP Board of Directors.

The Board of Directors must approve the purchase of any administrative office item equal to or exceeding \$5,000.

VRFP funds may not be used to purchase hardware accessories for personally owned equipment or may not be used to repair the personal property of any individual, PI or staff member.

Direct Charging of Costs

Salaries shall be directly charged to the appropriate VRFP function based upon underlying documentation, which will include, but not be limited to, timesheets (approved by appropriate personnel), IPA and/or CSA documents that are in place for individual employees.

Administrative Assessments

Administrative assessments are applied to all invoices at time of preparation and to all other cash receipts at the time of receipt.

Study Expense Allocations

As one of its financial management objectives, VRFP strives to determine the actual costs of carrying out each of its program service and supporting activities. In this regard, it is the policy of VRFP to charge expenses to the appropriate category of program service or supporting activity. Expenses that serve multiple functions or are not readily identifiable with one function shall be allocated between functions whenever possible

REIMBURSEMENT POLICY

Unless prior approval has been obtained, VRFP will not guarantee payment to vendors or reimbursement to any individual for purchases made without VRFP Purchase Order authorization. VRFP will not reimburse any individual for the unauthorized purchase of goods or equipment that will be stored anywhere off VAPHS property. Any exception to this policy must have the written approval of the VRFP Executive Director before the purchase is made. Any equipment approved for off-site storage must be personally inspected and tagged with a VRFP property tag by the Purchasing Agent. VRFP will not reimburse for any goods or services that are purchased for the primary benefit of an individual. Equipment such as personal computers and peripherals that are purchased for home use are assumed to be for the personal benefit of the purchaser and will not be authorized for purchase or reimbursement.

Receipt and Inventory of Merchandise

When the order is received and inventoried by the PI or his/her authorized representative, the AC signs and dates confirming all items were received. A signed and dated Packing Slip is also acceptable in lieu of the copy as verification of receipt of the order.

VRFP will not pay the vendor until it is in receipt of the signed and dated copy or packing slip showing that the item(s) have been delivered.

All returns of Purchase Order equipment, supplies or goods or other problems with orders shipped by vendors MUST be handled through the VRFP Accounting Department. This is to ensure proper billing of the PI's fund accounts and avoid confusion.

Authorizations and Purchasing Limits

All completed purchase orders must be signed by the Principal Investigator or designee and approved by the ED. The Board must approve any expenditure over \$5,000 of VRFP Administrative funds. This does not apply to recurring invoices such as medical insurance, life insurance, etc.

Ethical Conduct in Purchasing

Ethical conduct in managing the Foundation's purchasing activities is an absolute essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and the general membership.

Staff shall discourage the offer of, and decline, individual gifts or gratuities of value in any way that might influence the purchase of supplies, equipment, and/or services. Gifts to the Foundation, viewed as normal business incentives to obtain future Foundation-approved business such as for meeting sites, are acceptable donations.

Conflicts of Interest Prohibited

No member of the Board of Directors of the Foundation or staff members thereof shall, either directly or indirectly, be a party to or be in any manner involved in any contract or agreement with the Foundation for any matter, cause, or thing whatsoever by reason whereof any liability or indebtedness shall in any way be created against the Foundation. If any agreement or contract shall be made in violation of these regulations, the same shall be null and void, and no action shall be maintained thereon against the Foundation.

All Foundation employees, officers and directors are subject to Federal laws and regulations applicable to Federal employees regarding conflicts of interest in the performance of official functions. Each Board member and each employee shall submit on an annual basis to the Office of Research and Development Central Office, a signed statement certifying awareness of and compliance with these laws and regulations. Additional information regarding Conflict of Interest (COI) is available in the VRFP COI policy (not included in this manual).

POLITICAL ACTIVITIES

Prohibited Expenditures

It is the policy of VRFP that the Foundation shall not make any expenditure for political activities. For purposes of this policy, political activities shall be defined as any activity associated with the direct or indirect support or opposition of a candidate for elective public office at the federal, state or local level. Examples of prohibited political expenditures include, but are not limited to, the following:

1. Contributions to political action committees;
2. Contributions to the campaigns of individual candidates for public office;
3. Contributions to political parties;
4. Expenditures to produce printed materials (including materials included in periodicals) ;that support or oppose candidates for public office; or
5. Expenditures for the placement of political advertisements in periodicals.

Endorsements of Candidates

It is the policy of VRFP not to endorse any candidates for public office in any manner, either verbally or in writing. This policy extends to the actions of management and other representatives of VRFP, when these individuals are acting on behalf of, or are otherwise representing, the Foundation.

Prohibited Use of Foundation Assets and Resources

It is the policy of VRFP that no assets or human resources of the Foundation shall be utilized for political activities, as defined above. This prohibition extends to the use of Foundation assets or human resources in support of political activities that are engaged in personally by board members, members of management, employees, or any other representatives of VRFP. While there is no prohibition against these individuals engaging in political activities personally (on their own time, and without representing that they are acting on behalf of the Foundation), these individuals must at all times be aware that Foundation resources cannot at any time be utilized in support of political activities.

ACCOUNTS PAYABLE MANAGEMENT

VRFP strives to maintain efficient business practices and good cost control. A well-managed accounts payable function can assist in accomplishing this goal from the purchasing decision through payment and check reconciliation.

The VRFP Accounting Department is responsible for the ordering and receiving, as well as the recording of assets or expenses and the related liability. The amounts recorded are based upon the vendor invoice for the related goods or services. The vendor invoice should be supported by an approved purchase order where necessary, and should be reviewed and approved by the Executive Director prior to being processed for payment. Invoices and related general ledger account distribution codes are reviewed prior to posting to the subsidiary system.

The primary objective for accounts payable and cash disbursements is to ensure that:

1. Disbursements are properly authorized;
2. Invoices are processed in a timely manner; and
3. Vendor credit terms and operating cash are managed for maximum benefits.

Recording of Accounts Payable

All valid accounts payable transactions, properly supported with the required documentation, shall be recorded as accounts payable in a timely manner.

Accounts payable are processed as they are received. Information is entered into QuickBooks from approved invoices or disbursement vouchers with appropriate documentation attached.

It is the policy of VRFP that only original invoices will be processed for payment unless duplicated copies have been verified as unpaid by researching the vendor records. No vendor statements shall be processed for payment.

Accounts Payable Cut-Off

For purposes of the preparation of the Foundation's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation and are dated before the month's end shall be recorded as accounts payable as of the end of the immediately preceding month if the invoice pertains to goods or services delivered by month-end.

Establishment of Control Devices

The AC establishes control of invoices as soon as invoices are received.

Payment Submission

Prior to any accounts payable invoice being submitted for payment, the following documents should be assembled by the AC:

1. Vendor invoice (or employee expense report);
2. Packing slip (where appropriate);
3. Receiving report (or other indication of receipt of merchandise and authorization of acceptance);
4. Purchase order; and
5. Any other supporting documentation deemed appropriate.

Payment Processing

The AC shall apply the following procedures to each payment submission:

1. Check the mathematical accuracy of the vendor invoice;
2. Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip and receiving report;
3. Document the general ledger distribution, using the Foundation's current chart of accounts; and
4. Obtain the review and approval of the PI (or designee) associated with the goods or services purchased, including acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, and agreement to pay vendor in full using funds from the study or residual account which they have previously indicated.

On no less than a monthly basis, a member of the Accounting Department shall perform the following procedures:

1. Review all statements received, if any, for unprocessed invoices;
2. Review the Purchase Order file for open P.O.'s that are more than 60 days old and follow up; and
3. Review the Accounts Payable file for unpaid invoices to determine whether funds are available with which they should be paid.

Payment Discounts

To the extent practical, it is the policy of VRFP to take advantage of all prompt payment discounts offered by vendors. When availability of such discounts is noted, and all required documentation in support of payment is available, payments will be scheduled so as to take full advantage of the discounts.

Employee Expense Reports

Reimbursements for travel expenses, business meals, or other approved costs will be made only upon the receipt of a properly approved and completed expense reimbursement form and in accordance with

the travel policies contained in the Manual of Operations. All receipts must be attached with a description of the business purpose of trip or meeting. Expense reports will be processed for payment in the next payment cycle.

TRAVEL

Acceptable Travel

Travel to research meetings of clinical specialty societies, research societies, national and international general clinical groups (e.g., AMA, WHO) that have recognized or stated primary goals of which are to further medical knowledge, research, public health and/or education is acceptable when the proposed travel has a demonstrable research relevance or is related to an approved staff or patient education activity.

Approval Authority

Approval of proposed VRFP travel funding requests will be the responsibility of VRFP administrators. Exceptions to stated policy may only be made by the designated authority or the Board of Directors.

Travel cost reimbursement requests from the ED must be reviewed by the Board Chair, President or Treasurer for appropriateness and accuracy. After the reimbursement has been approved it will be submitted to the Accounting Department for review and entry into Accounts Payable by the AC.

Advances

No cash advances or reimbursement of transportation tickets will be made prior to the date of the actual travel. Meeting registration fees may be requested in advance and will only be made payable to the organization sponsoring the meeting. Airline tickets may also be purchased in advance directly by the VRFP. Exceptions to this policy must be pre-approved by the ED. All other travel expenses must be paid by the traveler and will be promptly reimbursed upon completion of approved travel.

Meals and Incidentals

In accordance with an IRS Accountable Plan, meals and incidentals will be reimbursed at the prevailing federal per diem rate for the destination city. No receipts are required for meals and incidentals. The applicable federal per diem rates for destination cities can be found at www.gsa.gov. Per diem allowances will be limited to the days of attendance at the conference plus the actual travel time required to reach the conference location by the most direct route available. (Where meals and/or lodgings are furnished without charge or at a nominal cost (e.g. as part of the registration fee) this will be taken into account in calculating the per diem allowance. Per diem will be reimbursed at 75% of the rate for the destination city for the day of arrival and day of departure.

All days in between will be reimbursed at 100% of the rate. Claims for 100% M&IE on the first and last day of travel must be requested and pre-approved as part of the travel authorization request. For example, a flight itinerary departing 6 am, returning 10 pm would be sufficient documentation to request 100% per diem on both first and last travel days.

Hotel Charges

Travelers will be reimbursed for reasonable hotel room costs as determined by the meeting site and prevailing hotel rates. Travelers should substantiate their room rate with program material detailing prevailing rates. The original itemized hotel bill must be submitted with the reimbursement request. Hotel reimbursement will be for days of the meeting and the evening prior. The night of the last meeting day will be paid if the meeting ends too late for a return flight. Reimbursement will be made for reasonable laundry and dry cleaning costs if the hotel stay is five nights or more. Internet access will be reimbursed for users with CAG access only. In the case that there is no predetermined hotel sites then travelers will be reimbursed according to the federal per diem rates for destination cities.

Transportation

Maximum transportation reimbursement shall be limited to the most economical mode of transportation and the most direct or customary route. Transportation costs may not exceed economy class fare by airplane or train. If an indirect route is traveled for personal reasons or if travel by direct route is interrupted, the traveler will be responsible for any resulting incremental expenses. Use of private automobiles must be approved in advance by the Executive Director. When authorized, reimbursement will be made at the prevailing federal mileage reimbursement rate plus applicable tolls. In no case will reimbursement for use of private automobile exceed the coach fare to the location in question. Actual odometer readings or MapQuest (or equivalent) mileage estimates will be required for reimbursement. The current federal mileage reimbursement rates can be found at www.gsa.gov.

Ground Transportation

Ground transportation will be reimbursed at cost based on submission of original receipts. Reimbursements are limited to travel to and from the city-of-departure airport/train station plus parking; from airport/train station to hotel, and hotel to airport/train station. A receipt is required for parking charges. In addition, a receipt is required for all cabs over \$5.00. Once the traveler has arrived at the hotel, taxi cabs will not ordinarily be reimbursed (to go out for dinner, etc.). Because meeting hotels are generally within walking distance or provide free shuttle service to the conference site, any cab fares requested will require a separate justification attached to the traveler's reimbursement request. These taxi exceptions will be reviewed and approved by the executive director on a case-by-case basis. In certain cities, use of a rental car may be authorized, but only if approved in advance by the Executive Director.

Consultant/Subject Travel

Charges to a project for consultant costs may include fees and travel costs including transportation and per diem costs. Prior approval is needed for consultant travel charged to a sponsored award. Reimbursement of subject travel must be pre-approved by the sponsor and included on the consent form. In cases where the patient is entitled to mileage reimbursement, the patient must provide a map (e.g. Yahoo or MapQuest) showing the miles traveled to receive reimbursement.

Local Travel

The VRFP will provide reimbursement for local travel to workshops, seminars and symposiums based on the following rules:

1. Per diem allowances must be reasonable and must be limited to the days of attendance plus the actual travel time required to reach the location by the most direct route available. Please refer to the per diem rate allowances. Actual parking costs are also reimbursable.
2. In cases where meals and/or lodging are furnished without charge or at a nominal cost (e.g. as part of the registration fee), this will be taken into account in determining the per diem allowance. For example, if breakfast is provided the traveler should indicate as such.
3. Mileage may be reimbursed for local travel to workshops, seminars and symposiums.

Travel Authorization Request

All individuals requesting travel support must submit the VRFP Travel Authorization Request form (attachment B) a reasonable time before departure, preferably two weeks. Specifically, all requests for travel must justify the research or education relevance of the travel. Approval of all travel requests hinges on an appropriate justification being provided. A copy of the program or conference announcement must be provided. In addition, travelers making presentations must include a copy of the invitation or acceptance letter.

VA Documentation

VA employees requesting VRFP travel support must also provide an approved VA Form 0893 – Advance Review of Offer to Donate Support for Official Travel as well as a memo from the Chief of Staff approving the travel. Both of these documents must be attached to the completed Travel Authorization Form for consideration of Foundation travel support.

Time Limit

Reimbursement for completed travel should be requested within fourteen (14) days. Requests submitted more than fourteen (14) days after the expense is incurred may be denied or may require additional justification and approval before reimbursement can be made.

Reimbursement Request

In accordance with Internal Revenue Code Section 62(c), employees must substantiate all business-related expenses to the Foundation within a reasonable amount of time (no more than sixty (60) days from the date of the expense). Additionally, employees must refund to the company any excess advances within a reasonable period (no more than 120 days from the date of incurring or paying the expense) – no advances can be made more than thirty (30) days prior to the time of the expense.

If the Foundation accepts the justification for late submission and does not deny reimbursement for requests submitted after the sixty (60) day timeframe, the reimbursement must be reported as taxable income to the employee. Therefore, it is critical that requests for reimbursements are submitted as expeditiously as possible.

It is the policy of the VRFP that any requests for reimbursement of expenses which are more than ninety (90) days old will be denied.

Requests for travel reimbursements must be submitted to the AC using the “VRFP Travel Reimbursement” form (Attachment C) and must be accompanied by required documentation, legible receipts and justification of the expense as outlined in the travel policies. Please note that if travel costs are to be divided between VRFP and VAPHS, or between VRFP and the University of Pittsburgh, a copy of the VAPHS and/or the University travel report must be included.

Requests for reimbursement of other business-related expenditures must be submitted to the AC using the “Request for Payment/Expense Reimbursement” form. The completed form must be accompanied by the required documentation, legible receipts and the justification of the expense. This expense must follow the guidelines for reimbursable costs as outlined in Section IV (D) of the PI manual.

All requests for reimbursements will be reviewed by the ED and, if deemed necessary, by the BOD. A reimbursement check will be returned to the requestor within fifteen (15) business days, along with an explanation of any denied expenses, if applicable. Appeals of denied expenses must be submitted in writing to the ED within a time frame which accounts for the sixty day period limitations as previously discussed.

Procedure for Payment of Authorized Expenditures

Travelers should complete and submit the VRFP Travel Reimbursement Form (attachment C) to the AC for processing. All required original receipts must be attached. The AC will review the request, ensure that appropriate receipts have been provided, verify the total amount of the reimbursement requested and forward to the ED for approval. Once approved the AC will post the request into the Accounts Payable system and will print the check during the next cycle of payment processing. The AC will forward the reimbursement check to the traveler and will then file all paperwork with the VRFP's completed travel records.

Miscellaneous Travel Reimbursements

Since research activities occur in a dynamic environment and projecting future needs may not always be possible, individuals may need to purchase necessary research relevant items and request after-the-fact reimbursement. However, every effort should be made to use purchase orders and have purchases paid directly by the VRFP. An example of appropriate use of reimbursement would be taking advantage of meeting discounts offered for on-site purchase of publications. Reimbursements should be limited to the purchase of small supplies necessary for a project. The VRFP will not guarantee reimbursements for acquisitions that have not been reviewed and authorized prior to purchase. VRFP will not reimburse any individual for the unauthorized purchase of goods or equipment that will be stored anywhere off VAPHS property. Any exception to this policy must have the written approval of the ED before the purchase is made. Any equipment approved for off-site storage must be personally inspected and tagged.

All such requests must include adequate documentation justifying the after-the-fact reimbursement. A valid, original sales receipt must accompany the request. An example of appropriate non-use of purchase orders would be taking advantage of meeting discounts offered for on-site purchase of publications.

All miscellaneous reimbursement requests should be submitted to the AC within 14 days of incurring the expense. Requests submitted more than 14 days after the expense is incurred may be denied or may require additional justification and approval before reimbursement can be made.

Members are responsible for ensuring the appropriateness of using this mechanism prior to obtaining foods and services and must sign all request. Requests submitted without the member's signature will be returned unprocessed.

Insufficient or inadequate documentation and justification of miscellaneous reimbursement requests will result in non-payment. No equipment items will be reimbursed using this mechanism.

CASH DISBURSEMENTS (CHECK-WRITING) POLICIES

If full implementation of duty segregation can occur within the Foundation, only persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers, shall prepare checks.. All cash disbursements should be reviewed and approved, signed and dated, by the Executive Director.

Currently, the AC reviews all payables for appropriateness and proper approvals, posts to the Accounts Payable system and prints the checks for authorized signature or signatures when appropriate. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

Check Preparation

Expenditures must be supported by the policies for purchasing, accounts payable, and travel guidelines which are specified in great detail in the Manual of Operations. Generally, all vendors shall be paid within thirty (30) days of submitting a proper invoice for goods or services provided. Exceptions exist for VA legal invoices which are not payable until the related study receives funds with which the payment can be made.

Total cash requirements associated with each check run are monitored in conjunction with the available cash balance in the bank prior to the release of any checks. All supporting documentation is provided as backup to the corresponding check prior to forwarding it to an authorized check signer.

Checks shall be utilized in numerical order and unused checks are to be stored in a locked cabinet in the Accounting Checks shall never be made payable to "cash" or "bearer". Checks shall never be signed prior to being prepared.

Upon the preparation of a check, vendor invoices and other supporting documentation shall be attached to the check stub in order to prevent subsequent reuse.

Check Signing

No check will be signed prior to the check being printed (no signing of blank checks). Checks that are equal to or less than \$5,000 may be signed by one authorized signer. Checks greater than \$5,000 as well as any check amount that is written to an employee or board member must be signed by two individuals other than the individual printing the checks.

Check signers should review the supporting documentation to ensure that each item has been properly identified before signing the check.

Mailing of Checks

Signed checks are returned to the AC who will attach one check stub to the appropriate

accompanying paperwork and mail the checks, or distribute the checks to the appropriate departments for disbursement. The paperwork, with the check stub, will be filed in the appropriate class folder for future reference.

Voided Checks and Stop Payments

Checks may be voided due to a request for replacement by a payee and/or processing errors by making the proper notations in the check register and by writing "VOID" across the face of the check. All checks shall be retained to aid in the bank reconciliation.

Stop payment orders may be made for checks lost in the mail or for other valid reasons. The stop payment will be recorded in the accounting system by way of a journal entry which will be prepared and posted by the DOF. The bank fee to stop payment may be entered by the AC via a disbursement entry or through a journal entry prepared and posted by the DOF.

Patient Participation Stipends

When allowed by the study sponsor and approved by the PI and/or coordinator, stipend payments are made to participants using a debit card system called Greenphire ClinCard. The cards are issued by the Foundation's study coordinator and approved by the Executive Director. Payments in accordance with each study's budget are loaded onto the card as payment for the participation stipend. On at least a semi-monthly basis, a report is pulled from the Greenphire system which indicates payments made from the account onto the participants' cards. These payments are then posted into the Foundation's accounting system using the de-identified payment information from the report. On a monthly basis, a reconciliation of this account is performed and submitted to the ED for approval. Funds are reimbursed into this account via a check from the operating account to the Greenphire account on an as needed basis.

CREDIT CARD USAGE

Use of Credit Cards

Credit cards are to be used for company requirements only. Where the supplier has the capability, cards or transactions will be coded to individual employees (will only apply if cards are issued to other than the ED) for greater facility at the time of invoicing. Employees must retain initial receipts and attach receipt to a completed Credit Card Transaction form. Use of company credit cards for expenses of a personal nature of any kind may result in disciplinary action up to and including dismissal. It will result in the expenses being deducted from the employee's next pay check.

Credit Card Invoicing, Authorization and Payment

The Board of Directors has approved the use of the Foundation's credit card by the ED for administrative purchases which are equal to or less than \$5,000 and all other purchases which have been properly authorized by the PI and/or the study coordinator (if granted that authority by the PI). When a purchase of goods or services is deemed to be of an urgent nature which cannot be handled through the normal purchasing procedures, a request may be made by a PI, coordinator or staff member via the use of a Purchase Order requesting the placement of an order for services and/or products. The ED will confirm that the charges are justified and appropriate before authorizing the use of the credit card for the ordering and payment of the goods or services. Additionally, for purchases that do not require prior approval or do not fit the requirements for a purchase order, the ED will authorize the purchase by completing the Credit Card Transaction Sheet and attaching all related backup to the sheet. Upon receipt of the monthly billing statement from the credit card company, the AC will review all credit card transactions and their related backup and authorizations, and then will schedule the monthly credit card invoice for payment according to the terms of the credit card contract, and so as to avoid unnecessary late payment charges.

PAYROLL AND RELATED POLICIES

Employment Policy

All Foundation employees must be U. S. citizens or have the appropriate legal work documents. The AC supplies an application package.

All Foundation personnel must be recorded with the VAMC as holding a Without Compensation (WOC) appointment.

Payroll Administration

VRFP operates on a bi-weekly payroll. For all VRFP employees, a personnel file is established and maintained with current documentation, as described throughout this section and more fully described in VRFP's Human Resources (HR) Standard Operation Procedure for HR management.

Changes in Payroll Data

It is the policy of VRFP that all of the following changes in payroll data are to be authorized in writing on a properly executed/completed Employee Change Form or the Employee Request Form (status and pay rate forms, attachments D and E):

1. New hire information; and
2. Changes in salaries and pay rates.

Status and pay rate forms for employees should be entirely completed, signed and dated by the Executive Director. The Executive Director shall authorize new hires, terminations, and changes in salaries or pay rates in writing.

The individual employee shall authorize voluntary payroll deductions and changes in income tax withholding status in writing.

Documentation of all changes in payroll data shall be maintained in each employee's personnel file.

Payroll Taxes

Accounting staff are responsible for ensuring that the payroll processor has confirmed that all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The VRFP currently utilizes and will continue to utilize the services of an outside payroll service center for the processing of payroll. The ED is responsible for the selection of VRFP's payroll processor. Any changes in this area will not require authorization from the Board.

Review of Payroll

The payroll registers will be reviewed, approved, signed and dated by the Executive Director and the Treasurer.

Compensation for Services Rendered By A Board Member

The Medical Center Director, Chief of Staff, Associate Chief of Staff for Research and Development and the Associate Chief of Staff for Education may not receive any compensation for services rendered to the Foundation. All other members of the Board (with the exception of VA employees) may be compensated by the Foundation, if the Board has authorized said compensation.

Excess Benefit Transaction Rules

All business arrangements (including compensation) are reviewed annually for compliance with the Excess Benefit Transaction rules as defined in Section 4958 of the Internal Revenue Code of 1986. In general, the term excess benefit transaction means any transaction in which an economic benefit is provided by a tax exempt directly or indirectly to or for the use of a disqualified person if the value of the economic benefit provided exceeds the fair market value of the goods or services the organization receives in return. Excess benefit transactions are not limited to compensation and fringe benefits; they are intended to encompass a broad range of transactions such as purchases, sales, leases, or any other transfer of value between the organization and an insider. A disqualified person means, with respect to any transaction, 1) any person who was at any time during the 5 year period ending on the date of the transaction in a position to exercise substantial influence over the affairs of the organization, 2) a member of the family of an individual above described, or 3) a 35 percent controlled entity.

SPECIFIC ASSET AND LIABILITY ACCOUNTS

Cash Accounts

General Checking Account (operating account):

The primary operating account is used for routine business check disbursements. Cash transfers from related investment accounts are done on an as needed basis to cover disbursements. Excess funds in this account are transferred into short-term investments or higher interest-bearing cash equivalents via the use of a sweep account which is connected to the investments. The outside investment manager, with the involvement of the ED, determines when to transfer funds in or out based upon our established financial structure

Payroll Account:

The payroll account is separate from the operating account. The Executive Director initiates transfers from the operating account into the payroll account on an as needed basis. Periodic transfers may be made from the operating account to the payroll account. Authorized signers on the payroll account will be the same as those on the operating account.

Blackrock Account:

The funds earned by the Board-designated investment in Blackrock are maintained in a separate checking account.

Endowment Account:

The Foundation currently has an endowment account whose funds and earnings are restricted to use in the behavioral sciences area. Use of these funds is restricted and must be approved by the Board.

Federal Account:

This account holds funds from contracts with Federal agencies. Periodically, transfers are made to or from the operating account to allow for Federal transactions which occurred through the operating account as a matter of convenience.

Greenphire ClinCard Account:

This account is for funds which have been set aside by the Foundation to allow for payments to study participants to be loaded onto debit cards which can be added to as the participant continues through Foundation studies.

Bank Reconciliations

Bank statements are received each month by the Treasurer, opened, signed, dated and forwarded to the accounting staff for reconciliation to the general ledger.

It is the policy of VRFP to complete the bank reconciliation process within one month of receipt of each bank statement. Bank reconciliations should be signed by the preparer, and signed and approved by the Executive Director. Bank reconciliation and copies of resulting journal entries are filed in the current year's accounting files.

Cash Flow Management

The Executive Director monitors cash flow needs on a periodic basis to eliminate idle funds and to ensure that payment obligations can be met. Cash transfers between accounts are performed on an as-needed basis.

Stale Checks

It is the policy of VRFP to review uncashed checks on a quarterly basis and to initiate contact with the payee regarding all checks which remain uncashed after six months. Payees are notified via a letter mailed to their last known address (or emailed to them if they are within the VA system) requesting them to choose a disposition method regarding the outstanding check. The Commonwealth of Pennsylvania requires the filing of an Uncashed Check Report on an annual basis. Checks which remain uncashed after twelve months will be reported to the Commonwealth, and the funds will be transmitted to them with that report.

Petty Cash

VRFP does not maintain a Petty Cash Fund.

Wire Transfers

The Executive Director or the Board Treasurer is the only authorized individuals to perform wire transfers between VRFP accounts.

INVESTMENT POLICIES

It is the policy of VRFP to treat all assets of the Foundation, including those funds that are legally unrestricted, as though they are held by VRFP in a fiduciary capacity for the purpose of accomplishing the Foundation's tax-exempt mission. As such, the policies described in this section are to be interpreted in light of that overall sense of stewardship, and the investment standards of VRFP shall be those of a prudent investor.

Investment Policy

It is the policy of VRFP to minimize the risk to principal in every investment strategy it undertakes. VRFP is also constrained under Federal law from investing research funds in any vehicle that would put the funds at risk, even with the prospect of financial gain. Such risk could result in the loss of those monies, thus defeating Congress' intent that they be available to fund VA research. An investment in stocks, mutual funds, or similar investment vehicles is prohibited.

Funds should be deposited in interest bearing accounts that are Federally-approved depositories, such as Federally insured banks, savings and loans or credit unions. Money market accounts will qualify if they are Federally insured. Purchase of U.S. Treasury securities such as bill and notes are acceptable because they are backed by the Federal Government and "are direct obligations of, or obligations guaranteed as to principal or interest by, the United States." Foundation funds may be placed in insured accounts, certificate of deposits or other instruments guaranteed by the U.S. Government against risk of loss through the Federal Depository Insurance Foundation (FDIC). Long term investments should be made only with Foundation funds not needed immediately. Appropriate forms of investment will be determined by the Investment Review Committee and approved by the Board.

To manage large amounts VRFP will deposit funds in interest bearing federally-insured accounts through a brokerage firm if the account provides full FDIC coverage of deposits.

Delegation of Authority

The Board of VRFP has delegated supervisory authority over its investing activities to the Executive Director. The Investment Review Committee is responsible for regularly reporting on the Foundation's investments to the full Board of Directors.

Investment Objectives

VRFP's investment objectives are the preservation and protection of the Foundation's assets, as well as the maintenance of liquid reserves to meet obligations arising from unanticipated activities, by earning an appropriate return on investments.

Allowable Investments

Investments of VRFP shall be made exclusively with the following securities:

1. Federally-insured Certificates of Deposit, not to exceed \$200,000, including interest, at commercial banks or savings and loan institutions;
2. U.S. Treasury securities and securities of Federal agencies and instrumentalities; or
3. Money market funds that invest in securities approved under these guidelines.

VRFP shall not engage in margin transactions, short selling, commodity transactions or use of derivatives.

Accounting Treatment

All purchased investments shall initially be recorded at cost. All investments acquired by donation to VRFP shall initially be recorded at their fair market value as of the date of donation. Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions, as defined earlier.

Subsequent to acquisition, it shall be the policy of VRFP to carry all equity securities with readily determinable fair market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements of VRFP on no less than a quarterly basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments shall be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor, as defined earlier.

Procedures and Reporting

The following procedures will be followed to ensure that investments are properly managed and that these investment policies are consistent with the mission of VRFP and accurately reflect the current financial condition of the Foundation:

1. At the request of the Board of Directors, the Director of Finance shall provide a statement of investments;
2. The annual investment report shall be presented by the Investment Review Committee Chair to the Board of Directors at the time the VRFP annual audit is presented, outlining in detail the investment portfolio's composition and performance for the fiscal year, along with a comparison to appropriate market indices; and
3. Recommendations for any revisions or modifications to the investment policy will be made by the Investment Review Committee to the Board of Directors for their approval.

FIXED ASSET MONITORING

Capitalization Policy

Physical assets acquired with unit costs in excess of \$1,500 are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Contributed Assets

Assets with fair market values in excess of \$1,500 that are contributed to VRFP shall be capitalized as fixed assets on the financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Establishment and Maintenance of a Fixed Asset Listing

All capitalized fixed assets shall be recorded on the fixed asset analysis (spreadsheet). This analysis shall include the following information with respect to each asset:

1. Date of acquisition;
2. Cost;
3. General Description (detailed information including color, model, and serial number will be reflected on the related invoice);
4. Location of asset;
5. Depreciation method; and
6. Estimated useful life.

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by VRFP. This physical inventory shall be reconciled to the equipment spreadsheet and adjustments made as necessary. The Director of Finance will approve all adjustments resulting from this reconciliation.

Receipt of Newly-Purchased Equipment and Furniture

All equipment purchased with VRFP funds is the property of the Foundation. All purchases made with VRFP funds must have the prior approval of VRFP and be made through the VRFP AC. Unless prior approval of VRFP has been obtained, VRFP will not guarantee payment to vendors or reimbursement to any individual for purchases made without a VRFP Purchase Order authorization.

At the time of arrival, all newly purchased equipment and furniture shall be “eyeballed” for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the vendor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the vendor immediately. The VRFP AS C is the only party authorized to contact vendors concerning disputed deliveries.

Depreciation and Useful Lives

VRFP must dispose of all equipment in accordance with federal, state, and local laws, including, but not limited to regulating waste and respecting copyright and licensed software. In addition, VRFP must ensure that all sensitive information is protected. This policy provides guidelines to properly dispose of equipment purchased by VRFP.

When the equipment is considered obsolete, beyond economical repair, or no longer needed; it should be disposed through the equipment turn-in process. The turn-in of VRFP purchased equipment must be coordinated through the VRFP Administrative Office.

Equipment should be turned in to the VRFP in the following situations:

1. Excess of useful life (cannot provide "basic level of service");
2. Lack of continued need (sits unused);
3. Cannot be upgraded to handle required software/hardware;
4. Wear, damage, or deterioration; or
5. Excessive cost of maintenance.

All such equipment is to be sent to VRFP Director of Finance for evaluation, with final disposition being decided by the Executive Director.

Salvaged Equipment

Any equipment that can no longer be used, but has useful parts, will be salvaged for its parts. Those parts could be used by the VRFP or sold for parts. Equipment with sensitive information will follow the disposal process in use by the VAPHS.

Disposal of Equipment

Computer hardware will be sanitized by the VAPHS OI&T Department. Non-computer hardware equipment will be picked up by a reputable, environmentally certified recycling company in compliance with all local, state, and federal laws. All fees charged for the removal of the equipment will be charged to the project, which the equipment initially belonged.

Any equipment, which is parted or disposed, will be removed from assets in all financial records and properly accounted for. Approval will be provided by the Investigator, Director of Finance, and the Executive Director.

Repairs of Fixed Assets

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated useful life of the property.

Dispositions of Fixed Assets

In the event a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the fixed asset listing and property log.

Write-Offs of Fixed Assets

The Executive Director approves the disposal of all capitalized fixed assets that may be worn-out or obsolete. Property that is discovered to be missing or stolen will be reported immediately to the Director of Finance. If not located, this property will be written off the books with the proper notation specifying the reason.

If it is determined that VRFP property has been stolen, or otherwise misappropriated, a police report shall be filed with the Veterans Administration Police Department or other appropriate law enforcement agency as soon as practicable. A copy of the crime report shall be filed with the annual inventory and maintained as part of the annual audit record for the year of occurrence.

ACCRUED LIABILITIES

Identification of Liabilities

The accounting department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period, currently the year end of the VRFP.

As soon as the amount of a liability to the VA is established for support of salaries, pharmacy, service lines, etc., is established, a request will be made to the VA Accounting Department for a Bill of Collection. The Foundation will book the liability at that point, thereby reflecting the obligation within the study and making the funds unavailable for other use. As soon as a Bill of Collection is received, the invoice will be entered against this liability in accordance with the Accounts Payable policy reflected elsewhere in this manual.

At the end of an accounting period, the expenses that may be accrued by VRFP may include, but are not limited to, the following:

- Salaries and wages;
- Payroll taxes;
- Interest on notes payable (not currently applicable); or
- Support payable to the VA.

FINANCIAL STATEMENTS

Preparing financial statements and communicating key financial information is a necessary and critical accounting function. Financial statements are management tools used in making decisions, in monitoring the achievement of financial objectives, and as a standard method for providing information to interested parties external to the Foundation. Financial statements will reflect year-to-year historical comparisons and current year budget to actual comparisons.

The basic financial statements of VRFP shall include:

1. **Statement of Financial Position** (or Balance Sheet) - reflects assets, liabilities and net assets of the Foundation and classifies assets and liabilities as current or non-current/long-term; and
2. **Statement of Activities** (or Profit and Loss statement) - presents support, revenues, expenses, and other changes in net assets of the Foundation. Currently, VRFP's interim statements reflect the organization as a whole, and the annual audited statements reflect the data by category of net asset (unrestricted, temporarily restricted and permanently restricted).

Additional financial statements of VRFP, generally included with our annual audited financial statements shall also include:

1. **Statement of Cash Flows** - reports the cash inflows and outflows of the Foundation in three categories: operating activities, investing activities, and financing activities. This statement will be prepared by the DOF and audited by the outside auditors during the normal audit process.

Frequency of Preparation

The objective of the accounting department is to prepare accurate financial statements in accordance with generally accepted accounting principles and distribute them in a timely and cost-effective manner. In meeting this responsibility, the following policies shall apply:

Monthly financial statements for VRFP should be provided to the Treasurer and ED after each month-end. The monthly financial statements should include:

1. A comparison of actual results for the month and the year-to-date to the budgeted amounts;
2. A brief narrative summary of the operating results and financial position versus budget amounts with the reasons for significant differences.; and
3. Provide comparative to the actual results for the prior year, both month and year-to-date, with explanations for large differences.

Review and Distribution

All financial statements and supporting schedules shall be reviewed and approved by the Director of Finance prior to being issued.

After approval by the DOF, the basic monthly financial statements shall be distributed to the following individuals:

1. Treasurer
2. Executive Director

Financial statements may include additional supplemental schedule prepared or compiled by the Director of Finance upon request by the ED, Treasurer, or BOD member. Reports reviewing budgeted and actual activity are also provided to the above and include a narrative discussing any unusual differences or activities.

Annual Financial Statements

A formal presentation of the Foundation's annual financial statements shall be provided by the Independent Auditor to the full Board of Directors at the Foundation's meeting preceding due date of annual report.

GOVERNMENT RETURNS

To legitimately conduct business, VRFP must be aware of its tax and information return filing obligations and comply with all such requirements of federal, state and local jurisdictions. Filing requirements of VRFP include, but are not limited to, filing annual information returns with IRS (i.e. Form 1099-MISC),, annual reports for Foundations, non-profit information returns (Form 990), , information returns for retirement plans (Form 5500), annual reporting of compensation paid(Form W-2/W-3), and payroll tax withholding tax returns for various authorities. .

Filing of Returns

It is the policy of VRFP to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The Director of Finance shall be responsible for identifying all filing requirements and assuring that VRFP is in compliance with all such requirements.

It is also the policy of VRFP to file complete and accurate returns with all authorities. VRFP shall make all efforts to avoid filing misleading, inaccurate or incomplete returns.

Filings made by VRFP may include, but are not limited to, the following returns:

1. **Form 990** - Annual information return of tax-exempt Foundations, filed with IRS. Form 990 for VRFP is due on the fifteenth day of the fifth month following year-end. A request for extension of time to file Form 990 may be filed using Form 2758. This request is traditionally filed for the VRFP because the 990 must be approved by the BOD at the May meeting which occurs after the May 15th due date. This form is prepared by the Director of Finance.
2. **Form 990-T** - Annual tax return to report VRFP's unrelated trade or business activities, filed with IRS. Form 990-T is due on the fifteenth day of the fifth month following year-end. A request for extension of time to file Form 990-T may be filed using Form 7004. This is currently not applicable to the VRFP but is listed for informational purposes.
3. **Form 5500** - Annual return for VRFP's employee benefit plans. Form 5500 is due July 31, but a request for extension of time to file may be filed. This form is prepared by the Director of Finance based upon information provided by the payroll processor and the 401(k) plan processor.
4. **W-2's and 1099's** - Annual report of employee and non-employee compensation, based upon calendar-year compensation, on the cash basis. W-2 forms and related transmittals are prepared and submitted to the authorities by the payroll processor directly. 1099 forms and related transmittals are prepared and submitted to the authorities by the DOF. These reports are due to employees and independent contractors by January 31 and to the taxing authorities by February 28 (March 31 if transmitted electronically).
6. **Form 940** - Annual unemployment tax return filed with IRS, for all employers, due January 31. Form is prepared and filed by an outside payroll processor.

7. **Form 941** - Quarterly payroll tax return filed with IRS to report wages paid to employees and federal payroll taxes. Form 941 is due by the end of the month following the end of each quarter, or 10 days later if all payroll tax deposits have been made in a timely manner during the quarter. Form is prepared and filed by an outside payroll processor.
8. **Annual Report to the Veterans Affairs Headquarters** – due June 1st of each year. This form is prepared by the DOF and is submitted to the ED for approval. Once approved, the ED will file the form with the NPPO.

VRFP's fiscal and tax year-end is December 31. All annual tax and information returns of VRFP (Form 990, Form 990-T) are filed on the accrual basis of reporting.

As previously stated, the Foundation's Director of Finance prepares the Form 990 (and Form 990-T if it becomes required) and Forms 1099. An outside payroll service prepares all Federal and applicable state payroll tax returns.

Public Access to Information Returns

It is the policy of VRFP to adhere to the following guidelines in order to comply with the preceding public disclosure requirements:

1. Anyone appearing in person at the offices of VRFP during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Director of Finance shall be responsible for maintaining this copy of each form and for making it available to all requesters.
2. For all written requests for copies of forms received by VRFP, the Foundation shall require pre-payment of all copying and shipping charges. For requests for copies that are received without pre-payment, VRFP will notify the requester of this policy via phone call or by letter within 7 days of receipt of the original request.
3. The copying cost charged by VRFP for providing copies of requested forms shall be \$1.00 for the first page copies and \$0.15 for each subsequent page. All copies shall be shipped to requesters via Priority Mail.
4. After payment is received by VRFP, all requested copies shall be shipped to requesters within 30 days. Making of all copies and shipping within the 30-day time period shall be the responsibility of the accounting department.
5. For requests for copies made in person during normal business hours, the requestor should submit a request in writing which is subject to the steps above.
6. VRFP shall accept certified checks, personal checks, and money orders for all requests.

BUDGETING

A budget is a management commitment of a plan for present and future Foundation activities that will ensure survival. It provides an opportunity to examine the composition and viability of the Foundation's programs and activities simultaneously in light of the available resources.

Preparation and Adoption

It is the policy of VRFP to prepare an annual budget for administrative activities only using the accrual basis of accounting. To prepare the Foundation administrative budget, the Director of Finance shall review prior year activities and discuss potential changes for the future with the Executive Director. The budget as proposed and submitted should be accompanied by a narrative explanation of the sources and uses of funds with an explanation of all material fluctuations in budgeted amounts from prior years.

A draft of the budget is presented to the Executive Director for discussion, revision, and initial approval.

The ED approved draft is then submitted to the Treasurer, and finally to the entire Board of Directors for review and adoption.

It is the policy of VRFP to adopt a final budget within a timeframe which allows for review and approval by the BOD at the last meeting of the year or the first meeting of the budgeted year to allow implementation of same for the upcoming Foundation fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the DOF to input the budget into the accounting system and establish appropriate accounting and reporting procedures (including any necessary modifications to the chart of accounts) to ensure proper classification of activities and comparison of budget versus actual once the year begins.

Monitoring Performance

It is the policy of VRFP to monitor its financial performance by comparing and analyzing actual results with budgeted goals.

On a monthly basis, financial reports comparing actual year-to-date revenues and expenses with budgeted year-to-date amounts shall be produced by the DOF and distributed to the Treasurer and the ED. All significant budget variances are explained in writing either on the report or attached thereto for review by the Audit Committee and the Board. These financial reports are presented periodically to the entire BOD based upon their meeting schedule.

Budget Modifications

The Executive Director must approve any reclassification of budget expenses. Deviations which are deemed substantial and/or extraordinary must be reviewed by the Treasurer and approved by the Board of Directors.

ANNUAL AUDIT

Role of the Independent Auditor

It is the policy of VRFP to arrange for an annual audit of the Foundation's financial statements to be conducted by an independent accounting firm. The independent accounting firm selected by VRFP will be required to communicate directly with the Foundation's Board of Directors upon the completion of their audit. In addition, the Executive Director, Director of Finance, Treasurer and Investment Review Committee are authorized to initiate communication directly with the independent accounting firm.

Audited financial statements, including the auditor's opinion thereon, will be submitted and presented to the Board of Directors by the independent accounting firm at the Foundation's April meeting.

How Often to Review the Selection of the Auditor

VRFP shall review the selection of its independent auditor in the following circumstances:

1. Anytime there is dissatisfaction with the service of the current firm; or
2. When a fresh perspective and new ideas are desired.

Selecting an Auditor

The selection of an accounting firm to conduct the annual audit is a task that should be taken very seriously. The following factors shall be considered by VRFP in selecting an accounting firm:

1. The firm's reputation in the nonprofit community;
2. The depth of the firm's understanding of and experience with not-for-profit Foundations in general and VA research and education foundations in particular, as well as the federal reporting requirements under OMB Circular A-133;
3. The firm's demonstrated ability to provide the services requested in a timely and cost-efficient manner; and
4. The ability of firm personnel to communicate with Foundation personnel in a professional and congenial manner.

In order to narrow down the proposals to the top selections, the Treasurer, the Executive Director and the DOF shall meet with the prospective engagement teams from each proposing firm to discuss their proposal. After the field of prospective auditors is narrowed down to three firms, final interviews of each firm are conducted by the Board of Directors or their designee.

Preparation for the Annual Audit

VRFP shall be actively involved in planning for and assisting with the Foundation's independent accounting firm in order to ensure a smooth and timely audit of its financial statements. In that regard, the accounting department shall provide assistance to the independent auditors in the following areas:

Planning - The ED and DOF are responsible for delegating the assignments and responsibilities to accounting staff in preparation for the audit. Assignments shall be based on the list of requested schedules and information provided by the independent accounting firm.

Involvement - Foundation staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit. If the timing of the audit field work allows, the financial statements should be drafted and presented to the auditors for their use in conducting the audit. All backup schedules will be prepared and/or reviewed by the DOF and be supplied to the auditors to allow them to perform the audit in an efficient and timely manner.

Interim Procedures - To facilitate the timely completion of the annual audit, the independent auditors may perform selected audit procedures prior to the Foundation's year-end. By performing significant portions of audit work as of an interim date, the work required subsequent to year-end is reduced. Foundation staff will as much as possible in order to provide requested schedules and documents and to otherwise assist the auditors during any interim audit fieldwork that is performed.

INSURANCE

It is fiscally prudent to have an active risk management program that includes a comprehensive insurance package. This will ensure the viability and continued operations of VRFP.

It is the policy of VRFP to maintain adequate insurance against general liability, as well as coverage for buildings, contents, computers, fine arts, equipment, machinery and other items of value.

Financial Management

All investments must be made in instruments backed by the "Full Faith and Credit of the US Government". Certificates of Deposit are the preferred instruments.

Board and Officer Liability

The Foundation is required to maintain Directors and Officers Liability Insurance.

Employee Liability

All employees are required to maintain a Without Compensation Appointment or VA employment with the VA Pittsburgh Healthcare System, thereby enabling them to be covered for bodily injury while at the workplace. Additionally, the employee would be covered by the Tort Claims Act while conducting activities within the scope of his/her employment.

The Foundation also maintains Worker's Compensation Insurance through the Commonwealth of Pennsylvania.

Property

The Foundation maintains a Business Liability Insurance Policy.

RECORD RETENTION

This policy applies to VRFP documents and records. Records related to specific projects supported by the VRFP follow the VA records control schedule.

Employees of the VRFP must request storage of applicable records by completing the VRFP Document Storage and Destruction Request Form. The form must be completed and attached to the storage boxes containing the records. The boxes must be submitted to the Executive Director of the VRFP for appropriate storage. Records will be retained for the time period indicated on the Request Form. At the end of the retention period, the records will be destroyed as indicated.

Records Control Schedule

Record	Period (Years)
Accident Reports/Claims	20
Accounts receivable and payable	7
Annual Reports(Form 990 and local)	Permanently
Application for exemptions (forms 1023,1024)	Permanently
Articles of incorporation	Permanently
All Auditor reports	Permanently
Authorizations and appropriations for expenditures	3
Bank Deposit slips	3
Bank statements/reconciliations	10
Budgets	6
Cash disbursement journal	Permanently
Cash receipts journal	Permanently
Charts of accounts	Permanently
Checks (cancelled/general)	7
Checks (cancelled/important payments such as taxes, property purchases etc.)	Permanently
Claims and litigations	10
Computer backups	7
Constitution and by-laws	Permanently
Continuing education documents	2
Contracts (general)	10
Contracts (government)	7
Contracts (sales), UCC	7
Contracts and leases still in effect	Permanently
Copyright, patent and trademark registrations	Permanently
Correspondence (general)	10
Correspondence (legal and important matters)	Permanently
Deeds, mortgages and bills of sale	Permanently
Deposit Slips	1
Depreciation schedules	5
Employee applications, unaccepted candidates	2
Employee Evaluations	7 post termination
Employee expense reports	7

Employee Handbooks	11
Employee Payroll records	7
Employee personnel records	7
Employment applications	7 post terminations
Employment contracts	10
ER ISA and retirement reports	Permanently
Exit interviews	7
Financial Statements (all)	Permanently
Garnishments	7
General journal or ledger	Permanently
Government	6
Income tax returns and cancelled checks	Permanently
Independent contractor records	10
Insurance policies(current), accident reports, claims, policies	Permanently
Insurance policies (expired)	3
Internal Reports	3
Inventory lists	7
Invoices	7
IRS letters of exemption	Permanently
Job Descriptions	10
Journals and ledgers	Permanently
Leases	10
Legal Opinions	10
Licenses	3 post expiration
Litigations	Permanently
Manuscripts	2
Medical Records	30
Membership records	3
Minutes (board and committee with board authority)	Permanently
Minutes (committee without board authority)	5
Mortgages	Permanently
Occupational inquiry and illness records	5
Patents, copyrights, licenses, agreements, bills of sale, permits, liabilities etc.	3 or life of document
Payroll records and summaries	7
Payroll tax returns	Permanently
Personnel manuals	Permanently
Property appraisals	Permanently
Property records	Permanently
Publications	Permanently
Purchases including title abstracts, opinions, insurance policies, sales agreements, mortgages and deeds	20
Rosters	Permanently
Sales and use tax return	10
Sales tax exemption letter	Permanently
Subsidiary ledgers	Permanently
Supporting correspondence and notes regarding patents, copyrights etc.	3 or life of document
Tax returns	Permanently
Termination records	Permanently
Timecards	4

