

METROPOLITAN DETROIT RESEARCH AND EDUCATION FOUNDATION

Policies & Procedures/Revised 12/2000

PURPOSE OF THE CORPORATION:

The purpose of the Metropolitan Detroit Research and Education Foundation is to facilitate and support research activities at the Detroit VA Medical Center. MDREF has been incorporated as a nonprofit corporation under the laws of the State of Michigan and shall comply with all local, state and federal laws and with the common ethical principles of academic medicine. Although MDREF is a private corporation, it is also subject to certain forms of federal oversight (38 U.S.C. 7361,7362).

MDREF STAFF:

Executive Director is responsible for overseeing the day-to-day management of the Foundation. Such duties may include, but are not limited to:

- reviewing contracts, agreements or collaborations between the Foundation and other entities for compliance with federal, VA and nonprofit guidelines;
- establishing, with appropriate professional assistance, necessary and appropriate internal accounting and management control systems;
- maintaining appropriate fiscal and management records of all research activities in the Foundation offices, and submitting regular reports to the board of directors for their review;
- submitting an annual budget to the board of directors for review;
- Seeing that all appropriate reports and annual filings are made to state, federal, and VA authorities (annual filing with the Secretary of State, annual report to the VA, federal IRS 990, RDIS Annual Report, and reports to District Counsel).

The executive director may hire administrative and/or accounting staff as needed to effectively carry out the operations of the Foundation. . Such staff will be managed by and responsible to the executive director.

Equal employment opportunity will be provided to all staff and applicants without regard to race, color, religion, disability, sex, age, or national origin.

SOURCE AND MANAGEMENT OF FUNDS:

MDREF may accept funds in the form of grants, contracts or gifts from such sources as federal or private nonprofit agencies and commercial organizations involved in the development of new medical materials and devices. Funds donated in support of a research project can be accepted only if the principal investigator holds an appointment at the VA Medical Center. All checks must be made payable to the Metropolitan Detroit Research and Education Foundation (MDREF). If a donor letter does not accompany the funds, MDREF will send an acknowledgement letter that outlines the intended uses for the funds.

TRANSFER OF GENERAL POST FUNDS:

38 U.S.C. Section 4162 allows funds donated to the VA Medical Center's General Post Funds for general VA research purposes to be transferred to the Foundation. Funds donated to the General Post Funds for a specific research project may be transferred to the Foundation with the consent of the donor. The R&D Committee must approve all such transfers. The Foundation shall document any such transfer of funds to appropriately account for all funds received and the purpose for which such funds will be applied.

INTERGOVERNMENTAL PERSONNEL ACT (IPA):

Nonprofit corporations meet IPA mobility assignment program eligibility requirements and are eligible to participate in the IPA program. IPA mobility program regulations provide for the certification of a nonprofit organization which has as one of its principal functions the offering of professional advisory, research, education, development services, or related services, to governments or universities concerned with public management.

RESEARCH ACTIVITIES:

Project Approval

All research projects must receive a formal VA review and be approved by the appropriate committees and subcommittees prior to any funds being expended by the Foundation. Such committees may include: R&D Committee, Internal Review Board for Human Subjects, the Subcommittee on Animal Studies, Radioisotope Committee, and the Biohazard Committee.

Principal Investigators - The principal investigator for each project/activity must hold a VA appointment. The principal investigator for each project/activity is responsible for hiring and managing all personnel for their research activity. The Foundation will pay research personnel from the appropriate research account funds only upon request and approval from the appropriate principal investigator. All appointments are time limited and are based on availability of funds. Investigators will receive written notice when funding levels are not sufficient to meet expenses for a minimum of 3 months. Employees will be notified of impending termination at that time.

Research Personnel - The principal investigator for each research project or activity is responsible for hiring and managing all personnel for their research activity. MDREF will pay said personnel on request from the principal investigator from appropriate funds. All appointments are time limited and are based on availability of funds. Investigators will receive written notice when funding levels are not sufficient to meet payroll expenses for a minimum of 3 months. Employees will be notified of impending termination when funds remaining are insufficient to meet expense for the subsequent 2 months.

Transfer of Principal Investigators:

Active Project: If the principal investigator transfers and wishes to move his active research project to another nonprofit tax-exempt entity, a letter must be received from the new corporation requesting the transfer and advising that they will accept responsibility for

the research project, funds and equipment. The board of directors must approve any and all transfer of funds and/or equipment. When a principal investigator leaves the VA, becomes employed by for-profit institution or retires, all residual funds will be retained by the Corporation.

Completed/Inactive Project:

- a) Residual funds will be retained by the Corporation when the Principal Investigator leaves the Detroit VA Medical Center.
- b) Equipment may be transferred to another nonprofit tax-exempt entity with the approval of the board. A letter must be received from the new corporation requesting the transfer and advising that they will accept responsibility for the equipment. The principal investigator is responsible for the shipment of any equipment to the new corporation.

Sale of Equipment: The board of directors must approve the sale of any equipment. Proceeds from any sales will be deposited to the corporation operating fund.

CONFLICT OF INTEREST:

Each staff person of the Foundation and all VA employees involved in Foundation activities shall be subject to Federal laws and regulations on conflicts of interest in the performance of official functions. Each of the above persons shall sign a "Standards of Ethical Conduct and Related Responsibilities of Employees" at the beginning of their work with the Foundation. Copies of all signed forms will be kept in the Foundation offices. It is recognized that at least two of the directors are not federal employees and that their acknowledgement relates directly to their duties as Directors of the Corporation.

INSURANCE:

The Foundation shall purchase and maintain

- a) Directors and Officers Liability Insurance, also known as "errors and omissions" insurance.
- b) General Property and Liability Insurance to cover Foundation property, equipment and personnel.
- c) Workman's Compensation Insurance.
- d) Fiduciary Bond Insurance, also known as "crime" insurance.

ACCOUNTING PRINCIPLES & PROCEDURES:

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

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

Separate accounting shall be maintained for each research activity being conducted through the Foundation. Each research activity budget shall include an Administrative Overhead Fee/Indirect Cost Rate. The fee level will be determined by the board of director's annually, but shall not be less than 15% of the total estimated project cost. In certain special cases, the Administrative Overhead Fee/Indirect Cost Rate may be adjusted or waived at the discretion and at the direction of the board of directors. All Administrative Overhead Fees/Indirect Cost Rates shall be available as corporate operating funds.

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

Deficit Spending: The Foundation will not allow the continued expenditure of funds for research when the principal investigator's account(s) supporting that research has a current balance that is not sufficient to pay expenses projected for the subsequent three (3) months. Anticipated income will not be considered. (Also see Research Activities, page 2, Principal Investigator and Research Staff).

Loans - No financial loans may be made to any director, officer, or staff member of the Foundation, nor to any research personnel or research project for any purpose. Under extraordinary circumstances the Board of Directors may consider a written request requesting the use of funds earned but not yet received.

Internal Accounting Control System - The safeguarding of assets and the reliability of financial records are the primary objectives of the Foundation's internal accounting controls. An organizational chart that clearly defines the organization's activities by function shall be established and maintained as well as a detailed chart of accounts that defines the types of items chargeable to each category. The corporation will have an annual, outside audit of its books and financial statements. The Board of Directors reviews all financial statements on an annual basis. A system of controls over revenues and expenses, including comparisons with approved budget estimates shall be established and maintained. Appendix A.

INSPECTOR GENERAL OVERSIGHT:

The programs and operations of the Foundation are subject to the scrutiny and review of the VA Inspector General (I.G.). A formal list of suggested audit procedures are listed in the OMB publication #1 17 1, "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions."

APPENDIX A

Internal Accounting Control System

ACCEPTANCE AND DEPOSIT OF FUNDS:

All donations must be made payable to the Metropolitan Detroit Research and Education Foundation (MDREF), not to any individual. Any donation made payable to an individual shall be returned to the donor. Any donation not accompanied by a donation letter shall be acknowledged in writing by the Foundation. Such acknowledgement shall include the purpose to which the Foundation will apply the donation.

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

Upon receipt, all funds are to be deposited into an appropriate, federally insured, interest-bearing account(s) in the name of The Metropolitan Detroit Research and Education Foundation. Interest income shall be deposited into the corporate operating fund account.

Principal investigators shall be notified of receipt of funds **and when the funds will be available for use**. All research projects must receive a formal review by the VA and be approved by the appropriate committees and subcommittees prior to any funds being expended by the Foundation.

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

Separate accounting shall be maintained for each research project being conducted through the Foundation. Principal investigators **shall** be sent quarterly statements as to the status/balance of their research account(s) unless other arrangements are made.

ADMINISTRATIVE OVERHEAD FEE:

Each research activity shall include an administrative overhead fee or an indirect cost rate. The fee level will be determined by the board of directors annually, but shall not be less than 15% of the total estimated project cost. In certain special cases, the Administrative Overhead Fee/Indirect Cost Rate may be adjusted or waived at the discretion and at the direction of the board of directors. All Administrative Overhead Fees/Indirect Cost Rates shall be available as corporate operating funds. For federally funded grants, the indirect cost rate will be what is negotiated with the agency.

DISTRIBUTION OF FUNDS:

All Foundation checks may be signed by the executive director for amounts up to \$500 inclusive. Checks of \$500 inclusive or more must be co-signed by one authorized board member.

Administrative Expenses:

All expenditures from the corporate operating funds must be limited to those which further the purposes of the Foundation. This includes expenditures for supplies, subscriptions, equipment, research-related travel and personnel.

Research Study Accounts:

The principal investigator is responsible for their research activity accounts. Distribution of funds will be from the appropriate research project account.

Required Minimum Balance: Research project accounts must maintain a balance sufficient to cover all expenses related to the project for a minimum of 3 months. At a time when funds are insufficient to meet expenses for a minimum of 3 months, termination notices will be sent to all employees. No new expenditures will be approved until funding levels reach the 3-month minimum reserve balance.

Expenditure Request Guidelines: The principal investigator or his designee must submit a completed and signed form, with all of the appropriate justifications, requesting that funds be set aside to pay for a proposed expenditure. All requests will be reviewed for appropriateness and adequacy of funding. If funding is not available or the request is deemed inappropriate, the request for expenditure will be returned to the investigator. Bills will not be paid unless expenditures have been pre-approved as described here. All expenditures greater than \$1,000 must be approved by the executive director as well as the principal investigator. The Board Treasurer must approve requests for expenditures in excess of \$10,000. Supplies, equipment, and needed services may be purchased on the open market. All equipment items over \$5,000 are to be capitalized

NOTE: all disapproved requests will be retained in the MDREF Research File as evidence of review and disapproval for future audits.

Reimbursement of VA Services:

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

Equipment Inventory/Limitations:

All corporate purchased equipment is to be inventoried annually and records maintained in the corporate offices on the location and assignment. Equipment purchased with Foundation funds must be identified as Foundation property and registered with Facilities Management Service as non-government equipment on loan to the VA.

The board of directors must approve the transfer or sale of all corporate-purchased equipment. Should a principal investigator want to transfer equipment to another not-for-profit institution, a written request must be submitted to the board. No equipment may be transferred to a for-profit institution. Correspondence to and acknowledgement from the receiving institution

should be retained in the MDREF files for documentation. The Foundation will retain physical entity.

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

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

Foundation funds may not be used to purchase hardware accessories for personal equipment owned by a member, director, staff member or researcher. Foundation funds may not be used to repair the personal property of any member, director, staff member or researcher. Equipment purchased with Foundation funds is added to the property insurance policy maintained by the Foundation.

Continuing Education:

Expenditures for continued education, including scientific books, conference and registration fees, society memberships, etc., specifically relating to a research activity may be requested by submitting the appropriate paperwork to the Foundation. The executive director may pay subscriptions or professional association dues, with the exclusion of license or fees, from appropriate research or general operating funds upon approval. **All dues and subscriptions must list the address of the VA.**

Travel:

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

All travel by VA employees paid by the Foundation must be pre-approved in accordance with the appropriate policies of the Department of Veterans Affairs (a request for authorized absence, and submission of VA Form 10-0101B, "Approval for Acceptance of Gifts, etc"). This approval allows the VA salaried employee to travel on authorized leave. **A memo requesting funds for travel must be submitted in advance of the travel.** When travel has been completed, a voucher request for expense reimbursement should be submitted.

Foundation funded travel for VA salaried employees or VA WOC employees may be at rates set by the board of directors, not necessarily at government per diem rates and rules, unless traveling on federal funds. Current reimbursement for meals will be at the latest per diem rate used by the Department of Veterans Affairs. Lodging expenses will be paid for original receipted charges up to the normal convention hotel rates.

Travel Restrictions:

On trips, VA and non-VA employee meal expenses may not exceed the per day amount set up by the corporation's board, plus a "reasonable" amount for hotel (determined by the city and meeting site hotels involved). Maximum transportation reimbursement should be limited to the equivalent direct coach fare by airplane, plus reasonable local ground transportation costs. First class airline fare may be approved only if justified based on physical disability. Requests for items that cost over \$25 must be backed up by original receipts. No advances will be provided for travel. VA **salaried employees** traveling on Foundation funds, must have an approval on file for the acceptance of gifts and/or money (form 10-0101B) from the corporation before reimbursement for per diem and expenses can be paid.

Corporation personnel traveling on **government grant** funds are restricted to the same per diem limits as government employees.

Reimbursements:

Foundation directors, staff or research personnel may request reimbursement for purchase of items in support of research or Foundation activities. An itemized reimbursement form must be completed with original receipts attached and submitted to the executive director for approval. If the executive director deems the reimbursement request, in whole or in part, to be inappropriate, the principal investigator may seek review by the board of directors for final disposition. NOTE: All disapproved requests will be retained in the MDREF Research File as evidence of review and disapproval for future audits. Expenditures of more than \$1000 must also have approval of a board member.

Subject Payments:

Principal investigators requesting payment to a subject for their participation in research activities must submit the name, mailing address and social security number for each subject. In any case where any subject receives in total \$600 or more in a calendar year, the Foundation must submit such year-end information to the IRS and the subject.

Research Personnel:

Any VA employee, including Foundation officers, may not work for pay for the Foundation on government time. Any salary earned as Foundation employees must be for hours worked other than their VA tour of duty, and doing duties different from their VA work. A VA employee may not receive pay from a non-governmental source at the direction of the employee's federal supervisor for services performed off-duty which are part of his official duties. (O.G.C. Advisory 10-91, dated February 11, 1991). A time card for each employee must be submitted to the Foundation.

A payroll leasing firm **may** be hired to be responsible for payroll, payroll reports, deposits to IRS and the state for taxes, year end reports and forms to all employees, state tax office and IRS benefit management (health and dental insurance, 401k plans, flexible benefit plans). The hiring, termination, assignment of duties, and the determination of reasonable salary levels will result from agreement among the principal investigator and the executive director of the Foundation.