Title: Policy and Procedures for Sundry Fund Management  
Department: PHS Finance  
Applies to: All PHS Affiliates  
Approved by: Peter Markell, VP for Finance  
Approval Date: July 2006  
Effective Date: July 2006  

I. GENERAL:

This document defines policies and procedures for funds classified by Partners HealthCare System, Inc. and its Affiliates (collectively and separately called “PHS” in this policy) as Sundry Funds. Sundry Funds generally originate from sources outside of PHS’s core operations and typically either have no externally imposed restrictions or are restricted for purposes met in the ongoing operations of the entity. Sundry Funds may be further classified as Non-Research Sundry or Research Sundry funds. Recharge Center Funds are a subset of Research Sundry Funds and are discussed below.

Sundry Funds are, generally, unrestricted institutional funds and must be spent in support of PHS’s mission and in accord with all PHS policies including ones for procurement and payment of services and goods. The PHS Policy and Procedures for Employee Business Expenses are applicable for reimbursement and payment of expenses charged to Sundry Funds. A small number of philanthropic funds are donor-restricted for purposes that are not met in ongoing operations and thus must be expended as the donor(s) directed. The principal investigator is responsible for ensuring that the funds are expended in compliance with donor directives.

Sundry Fund activity is not subject to annual budget controls, and balances may be carried forward from one fiscal year to the next, providing flexibility in the timing of their use.

II. CLASSIFICATION OF SUNDRY FUNDS:

A. Funds should be maintained in the least restrictive manner to provide maximum flexibility in their use. Non-Research Sundry Funds may be used for administrative, clinical, educational or research purposes and are therefore less restrictive than Research Sundry Funds which should be used solely to support research. As a result, department managers are advised to direct funds that are not restricted solely for research into a Non-Research Sundry fund. All funds must be expended in a manner consistent with contractual obligations, donor directives, and other external commitments if they exist.
B. Funds should be placed in a Non-Research Sundry Fund if:
- They are used primarily for educational, administrative or clinical activities.
- There are no external or internal directives or contracts requiring the funds to be used for science.
- Should the subsequent need arise to use these funds for research and such use is consistent with the directives of the donor, these funds should first be transferred to a Research Sundry fund only if the amount exceeds $25,000.

C. Funds should be placed in a Research Sundry Fund if:
- Donor directives, contractual obligations or any other agreement legally or ethically obligates that they be used in support of scientific activities such as basic, clinical, translational, or health-policy research; research training; or research fellowships.
- While Research Sundry Funds should primarily be used to support scientific activities, limited amounts may be used for clinical, administrative, or educational purposes.
- Expenses charged to Research Sundry Funds are included in the research base of the entity for purposes of negotiating with the U.S. Department of Health and Human Services regarding facilities and administrative rates (also known as indirect cost or IDC rates). The appropriate classification of these funds, separately from Non-Research Sundry Funds, is important to ensure accurate representation and accounting of total research activity.

D. Recharge Centers
- Recharge Center Funds are a subset of Research Sundry Funds. Recharge centers, sometimes referred to as "specialized service facilities", or "core facilities" are PHS units/cost centers that are organized to provide services and to facilitate research activity by efficiently providing a vehicle for charging back the cost of the services to other entity users, typically as "user fees". Generally “core facilities” provide scientific services and resources and use of state-of-the-art equipment and/or technology to the research community. Services are sometimes provided to external (outside) users. Operating expenses are charged to the recharge center fund and then reimbursed through a "recharge" back to the cost center/fund receiving the services. These centers may be based within the entity institution or department.
- Several types of recharge centers exist at PHS: Institutional (institutionally based cores, e.g. HPCGG Cores, Animal Facilities; Center for Clinical Investigation, NMR), Departmental (departmentally based cores e.g., DNA Sequencing, Bioinformatics, Protein Synthesis), Administrative, Sponsor Supported Cores (e.g. Cancer Center, P30s).
• The PHS Research Management Policies on Recharge Core/Recharge Cost Centers are available at: http://research.bwh.harvard.edu/RechargeandCorePolicy.doc and http://mghra.partners.org/res_gov/PHSRechargePolicy40105.doc

• New Recharge Centers must be approved. Departmental Recharge Centers must be approved by the Department Chief, and by the SVP, Research. Institutional Recharge Centers must be approved by the CFO and SVP, Research.

III. SOURCES OF FUNDING:

A. Typical sources of funding for both Research and Non-Research Sundry Funds include:
   • Donor contributions (which must be processed through the entity’s Development Department)
   • Endowment fund spending distributions
   • Investment Income
   • Royalty payments made to the laboratory or department (See Paragraph VI. B.)
   • Special purpose grants that are not research grants, awards, or agreements
   • Corporate sponsored research and clinical trial residuals (See Paragraph V)
   • Honoraria
   • Transfers from Sundry Funds (Transfers from operating funds are not allowed unless approved by both the Department Chief and entity CFO.)
   • Institutional funds provided in support of new programs or physician recruitment or retention agreements
   • Non-patient business activities that are not part of core operations

IV. SUNDRY FUND SET-UP AND MANAGEMENT:

A. Fund Set-up
   When departmental/divisional managers determine that, within the parameters described below in B and C, a new fund is necessary, they should complete a “New Fund Application” form as provided in Attachment 1. As indicated at the top of the form, a completed form requesting a new Research Sundry Fund should be forwarded to Research Management. A completed form requesting a new Non-Research Sundry Fund should be forwarded to the Special Accounting Manager in the PHS Accounting Office. Further information will likely be requested in order to ascertain the fund is properly classified.

B. New Fund Approvals
   A new Sundry Fund must be authorized by the Chief of Service (or his/her designee) before submission of form for fund set-up as described above. This approval may be evidenced by his/her signature on a hard copy application or by copy on an e-mail message forwarding an application submitted electronically. The entity Controller must authorize all new Sundry Funds after Research Management or Special Accounting staff has secured all necessary information and before the fund is set up.
C. Aggregation of Sundry Accounts
To simplify administration and maximize investment income, principal investigators of Sundry Funds are encouraged to consolidate existing funds that do not have a requirement for separate accounting or reporting, particularly in cases where the same principal investigator has several Sundry Funds.

D. Minimum Deposit Requirements
1. For deposits less than a threshold to be determined by entity ($25,000 for the academic medical centers), an existing Sundry Fund, under the control of the principal investigator, laboratory or the department, should be used. Since these receipts would be commingled with other money in the fund, it is the responsibility of the principal investigator to respect any specified purpose required by the donor for these funds. Special consideration will be provided to establish a new Sundry Fund in cases where a principal investigator does not have an existing Sundry Fund, and has a minimum deposit of $5,000.

2. For deposits greater than the minimum threshold (again, $25,000 for the academic medical centers), principal investigators are encouraged to aggregate such deposits into an existing fund. However, if there is a donor-specified purpose that justifies a need to segregate such funds, the investigator may request the establishment of a new fund. A completed “New Fund Application” form must accompany such a request. (See Attachment 1.)

E. Minimum Balance Requirements and Time Limits
1. If an activity in a new Sundry Fund will generate expenses before money is received from the funding source, a transfer from another internal source (e.g., a departmental Sundry Fund) must be arranged in order to maintain a positive fund balance at all times. Receivable balances are not allowed in Sundry Funds.

2. Funds with a balance of less than $500 may be subject to closure by PHS Finance with the balance swept to an existing Departmental Sundry Fund.

3. Funds without any expense activity for a period of 3 years or more may be subject to closure and aggregation into other Departmental funds.

4. Advance notification of the fund holder and the department will be provided before such an action is taken.

F. Fund Oversight
The named Principal Investigator of a Sundry Fund assumes full responsibility to assure that all donor wishes and designated purposes are respected in the use of such funds. The Department Chief is ultimately responsible for all Sundry Funds within the department and its divisions.

V. TRANSFERS OF UNEXPENDED RESEARCH FUNDS INTO SUNDRY FUNDS:

A. General
Corporate-sponsored clinical trials and sponsored research are considered completed when the project period has ended and all required deliverables and/or reports have been
provided to and accepted by the sponsor. On occasion, a surplus cash balance may remain in the fund. The Principal Investigator may request that the surplus balance be transferred to his/her new or existing Sundry Fund.

B. Approval Process for Requests to Transfer Residual Balances

All requests for termination of funds and transfer of residual balances must be made to PHS Research Management in writing, signed by the Principal Investigator, with copies to his/her chief, and must confirm the following:

- All required work was completed.
- All deliverables and reports were delivered and accepted by sponsor.
- All costs incurred on the project have been recognized and charged to the proper cost center.
- The sponsor does not require unexpended balances to be returned at the conclusion of the project.
- No federal/state grant funds were used to pay for the activities of the project.
- If applicable, all allocable patient care costs related to the project were charged to the project.
- If applicable, no patient care costs were charged inappropriately to the patient, to other patients, to 3rd party insurance including Medicare and Medicaid, to federal or other grants, or to other sources.
- Additionally, if the residual balance exceeds 20% of the total amount provided by the sponsor to PHS or $100,000, whichever is less, then the following additional information will be required:
  - Detailed explanation of how the work and deliverables were completed without expenditure of the budgeted award
  - Confirmation of approval by the PI’s Department Chief or his/her designee

The form “Request for Transfer of Residual Balance to Sundry Funds” (Attachment 2) must be completed and signed as indicated and must accompany the transfer of funds request subject to previously specified minimum balance requirements for new accounts.
C. Treatment of Indirect Costs (IDC) on Unexpended Balances to be Transferred
For calculating of indirect costs all corporate-sponsored research projects, including clinical
trials, use either a Total Direct Cost base (TDC) or a Modified Total Direct Cost base
(MTDC), generally TDC less capital equipment and subcontracts, to account for indirect
costs. The method to be applied and the rate of recovery of indirect costs are determined by
the sponsor’s policy on indirect cost recovery. Prior to transferring residual balances in
excess of $100,000 from non-federal research grant funds to a Sundry Fund, all indirect
costs in excess of the 15% IDC sundry rate attributable to the entire transferred amount will
revert to the hospital at the time of transfer.

VI. EXPENDITURES FORM NON-RESEARCH SUNDRY FUNDS:

A. Funds such as those from donors or outside granting agencies may bear restrictions
regarding their expenditure that must be observed. In addition, because of PHS entities’
charitable foundation status, the Internal Revenue Service and the Massachusetts Attorney
General provide important direction regarding expenditures of all PHS assets, including
Sundry Funds. These funds cannot be used for personal benefit but must be utilized only
for PHS mission-related purposes or programs. Accordingly, it is imperative that the funds
are utilized with adequate management oversight and in compliance with all PHS policies
and procedures such as those listed below:

- Human Resource and payroll policies and procedures
- Procurement and Accounts Payable policies and procedures
- Employee Business Expense policies and procedures

B. Funds derived from royalties generated by property developed with Federal Funds must be
spent to support the research or educational activities of the institution that provided
infrastructure for the related research in order to comply with federal regulation.
Investigators are advised to refer to the PHS Intellectual Property Policy (especially Section
17.10) or seek assistance from Corporate Sponsored Research and Licensing if any other
use of royalties is contemplated.

C. All expenses charged to Research Sundry Funds must be incurred in support of PHS’s
research mission. Typical expenses include:

- Direct expenses for laboratory or other research, including personnel, supplies, animals
  (purchases, per diems) and equipment
- Salary and fringe for direct research support:
  ◦ Principal Investigators
  ◦ Co-Investigators
  ◦ Research Coordinator
  ◦ Data manager
  ◦ Research Nurse
  ◦ Grants administrator
  ◦ Fellows
  ◦ Students/MDs/PhDs
• Travel to and expenses for research conferences
• Publications, subscriptions, fees, other professional development costs
• Software and IS costs for research
• Consultants, consortium costs
• Purchased services, including contracts, for research
• Educational expenses for research (courses, registration, certification)
• Capital equipment for laboratory (requires competitive bid and research administration sign-off in accord with PHS and local entity policies)
• Patient care costs appropriate to research

D. All expenses charged to Non-Research Sundry Funds must be incurred in support of PHS’s non-research missions. Typical expenses would include:

• Expenses for clinical, academic, and educational purposes, including personnel, supplies, equipment
• Salary and fringe for staff not assigned to research
• Travel and other expenses for healthcare-related conferences
• Capital equipment or projects
• Payment of patient bills in accord with donor directives

VII. OTHER TRANSFERS OF SUNDRY FUNDS:

A. Sundry funds may not be transferred to other institutions when the principal investigator leaves the PHS network. Such funds will remain with the recipient department and subject to reassignment at the discretion of the Department Chief in keeping with any donor wishes.

B. Sundry funds may occasionally be transferred under unusual circumstances to another PHS institution with approval of the Department Chief and the transferring entity CFO.

C. Sundry funds may be transferred to fund or help fund Harvard Medical School chairs, but only with appropriate review of fund source(s) and verification that there are no remaining restrictions on the utilization of the funds. In addition, approvals in accord with entity policies for expenditure of unbudgeted funds must be secured.

This may include a requirement for Board of Trustees approval. Entity CFOs and Controllers can provide further assistance regarding specific requirements.

D. Sundry funds may be transferred to Board Designated Endowment funds in order to provide long-term ongoing support for a program or department. Approval by the CEO, CFO and Department Chief and a minimum of $1 million is required before a new Board Designated Endowment fund will be established or dissolved. As these endowment funds are invested in PHS long-term investment pools it should be assumed the fund corpus will not be needed for at least 10 years. The new Board Designated Endowment fund will generate investment
income, gains and losses and an endowment spending distribution at the per-unit rate in effect for a given academic year. The Director, Private Equity Investments, in PHS Treasury can give further information regarding these funds and can assist with establishing a new one.

E. Only rarely may sundry fund dollars be transferred to a Physician Organization (“PO”). Such transfers require the authorizations of the CFOs of both the relevant hospital and PO and will only be approved to fund activities that are unique to the PO. Examples are costs of PO provided free care or of a clinical fellow working in a PO practice. The CFOs may agree that the hospital should recover overhead equal to the difference between the sundry fund and the PO rates prior to transferring the net remaining funds to the PO.

VIII. OVERHEAD (INDIRECT) COST ALLOCATION:

A. All Sundry Funds except the following will be charged an overhead rate of 15% on modified total direct costs.

- Research recharge centers or “core” funds
- Funds derived from private foundation gifts when the donor has a published policy requiring a different rate that has been formally accepted by the hospital or PHS entity at the time of the award.

B. Capital expenditures and inter-fund transfers are not subject to overhead unless overhead is calculated on total direct costs, including capital expenditures.

IX. SUNDRY FUND INTEREST EXPENSE/INVESTMENT INCOME OPTIONS:

A. Funds with deficit balances, except those excluded from overhead costs (see Section VIII.A. above), will be subject to an interest charge calculated on the previous month-end balance and at the 3-month Treasury bill rate.

B. Funds with balances greater than $1,000, except those excluded from overhead costs or with overhead rates less than specified institutional rates (see Section VIII.A. above), will receive monthly investment income calculated on the previous month-end balance and at the 3-month Treasury bill rate, unless directly invested in PHS investment pools. (See below.)

C. Funds with balances between -$1,000 and $1,000 will not receive either interest expense charges or investment income.

D. Funds with balances $1 million or greater may be invested directly in PHS investment pools as explained below.

1. No other Sundry Fund at the Division level may be in a deficit status

2. The fund must be subject to the full applicable institutional indirect cost rate.
3. An allocation plan must be selected across the following investment options:

   i. Money-market fund for investments <2 years

   ii. Short-term fund for investments of 2-3 years

   iii. Intermediate-term fund for investments of 4-6 years

   iv. Long-term for investments > 7 years

4. Assistance will be provided by the PHS Treasurer’s Office for the most appropriate allocation to match anticipated cash flow needs.

5. The Approval Form for Separately Investing Sundry Funds (Attachment 3) must be signed by the Principal Investigator, Division Chief, Department Chief, and entity CFO.

X. DEFICIT SUNDRY FUND BALANCES

A. General

   Deficit spending is prohibited on all sundry funds. This prohibition applies to each individual sundry fund, regardless of any offsetting balances that may exist in related sundry funds under the same department, division, or principal investigator. If a deficit occurs the following steps will be taken:

B. Deficit Fund (Initial Statement)

   In the normal course of the business cycle, unexpected deficits will occur occasionally. Under such circumstances, deficit funds will be subject to the following considerations.

   • A deficit is officially acknowledged at the time the normal monthly fund statement is issued.

   • Interest expense as described in Section IX. A., above, will be charged beginning with the first monthly fund statement showing the fund in deficit.

   • A “grace period” to cure the deficit is provided in accordance with the following intervals:

     1) The first monthly statement will disclose the existence of a deficit. Interest expense will be charged on the deficit balance.
2) The second monthly statement will be a reminder that a deficit still exists.

3) At time of delivery of the third monthly statement, the fund will be considered delinquent.

- It is well advised to clear a deficit immediately upon discovery due to the time lag in posting changes and to limit further spending on that account.

C. Delinquent Deficit Fund (Third Statement)
In addition to funds that are overspent, this classification also applies to deficit funds caused by a delay in the funding of awards or the timing of cash receipts on pledges. Such anticipated or unexpected delays in funding must be addressed with short-term loans from other Departmental funds if expected to exceed the grace period specified above. A delinquent fund becomes subject to mandatory clearance in the following order:

- Any other Sundry Fund under the control of the deficit fund holder will be subject to an automatic transfer of the deficit up to the available positive balance and the deficit fund will be cleared and may be closed.

- A designated departmental Sundry Fund may be subject to an automatic transfer of funds to the deficit fund. This underscores the accountability of the academic departments for deficit spending by its faculty. The deficit fund will be subsequently closed after being cleared. Each department will be required to identify a departmental sundry fund for this purpose.

- Any personnel charged to the deficit fund will be subject to a lay-off action if suitable alternative funding is not identified.

**ATTACHMENTS**

Attachment 1: New Fund Application for Sundry Funds
Attachment 2: Corporate Research Cost Center Close Out Request
Attachment 3: Approval Form for Separately Investing Sundry Funds in PHS Investment Pools
PARTNERS HEALTHCARE SYSTEM
NEW FUND APPLICATION
FOR SUNDRY FUNDS

TYPE OF FUND REQUESTED (For further information, see Part II of Policy and Procedures for Sundry Fund Management at (hyperlink):)
☐ Research Sundry Fund (Route to Research Finance)
☐ Non-Research Sundry Fund (Route to PHS Special Fund Accounting)

FUND TITLE: ____________________________

PRINCIPAL INVESTIGATOR: ____________________________

OTHER INDIVIDUAL(S) AUTHORIZED TO APPROVE EXPENDITURES: ____________________________

SOURCE OF REVENUE: (Check category or categories and describe initial funding, plus anticipated future sources.)
☐ Philanthropy
☐ Private Foundation
☐ Internal Funding
☐ Other

Note: Please include copies of any documents that help support and explain this fund.

If Philanthropy or Private Foundation is checked above, please complete three rows below:

Development Dept Rep: ____________________________
Donor/Sponsor Name: ____________________________
Donor/Sponsor Restrictions: ____________________________
Please Describe Source of Revenue: ____________________________

PURPOSE: Please explain the specific purpose or use of the fund and why a new fund is required, with specific information on donor intent if source is philanthropy.

________________________________________________________

DEFAULT FUND: Please supply the fund number for a current departmental/divisional fund, with a balance in excess of $50,000, from which money could be transferred to cover deficits on this fund and to which a small balance on this fund could be transferred when it is activated.

________________________

INDIVIDUAL(S) TO RECEIVE MONTHLY REPORT PACKAGE: ____________________________

PRIMARY CONTACT’S ADDRESS/LOCATION/EXTENSION: ____________________________

DEPARTMENT/DIVISION AND HOSPITAL OR ENTITY: ____________________________

DEPARTMENT/DIVISION CHIEF AUTHORIZATION: ____________________________

ENTITY CONTROLLER AUTHORIZATION (to be secured by Finance Staff): ____________________________

(1) Note: If fund is to be used as a “Core” or “Recharge Center”, please contact the Director for Core-Facility Operations and Business Planning to open a new special fund. This form should not be used for setting up Recharge Centers.
Request for Transfer of Residual Balance to Sundry Fund

Transferring Grant will be inactivated up on completion of this request.

Administrator/PI: _______________________________ Phone: _______________________________
Department/Division: _______________________________

Cost Center Information for Transfer

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Total Sponsor Support: _______________
Cash Balance: _______________  Eligible for Transfer to Research Sundry: $ _______________

Please verify the following statements, if not applicable, please select “N/A”

- The project is complete with all incurred costs recognized and charged to proper accounts
- The deliverables and reports have been completed and accepted by the sponsor, and there are no outstanding obligations to the sponsor.
- No federal or state grant/contract funds were used to pay for this project.
- All allocable patient care costs related to this project were charged to the project, and none of the costs were charged inappropriately to other patients, 3rd party insurance including Medicare and Medicaid, or to federal grants.
- Cash balance is confirmed on the most recent PHGL026Q report available in Document Direct
- If any charges (patient care, salary & fringe, supplies, other) are posted subsequent to this transfer, I will be responsible for their payment from other funds.

The signature of the PI below indicates that the above information is accurate.

Principal Investigator signature and date

If there is a significant balance* in the account, attach an explanation, a copy of the executed contract with the sponsor, and obtain the Department Chief signature below.

Department Chief (VP of Research, if PI is Department Chief)

* A significant balance is defined as a balance greater than 20% of the total revenue and/or greater than $100,000.
With the approval of the entity CFO, the undersigned requestor, acting under the Partners HealthCare System Sundry Fund Policy effective April 1, 2000 and the terms of the Partners HealthCare System Pooled Investment Accounts, a Massachusetts general partnership (the “Partnership”) and understanding the risks of investment, hereby requests that its sundry fund balances which are in excess of $1 million be separately invested in one or more of the four investment pools within the Partnership.

The requestor fully understands that investment in securities and other assets necessarily involve risk, at times that may be substantial, and it is expected that the value of the pool’s assets (excluding money market pool) will fluctuate over time. In addition, the requestor represents and warrants to the Partners Treasury Office that the requestor has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risk of an investment in the Partnership and that the requestor understands that an investment in the Partnership could result in a complete loss of the balance of the sundry fund invested in the Partnership and the requestor is able to bear the risk of such a loss for an indefinite period of time. Requestor understands that none of Partners HealthCare System, the entity, or the Partnership is liable for any investment shortfall.

The requestor, working with the entity CFO and Partners Treasury, will provide expected cash flow information that will support the investment allocation of the funds among the investment pools. At all times those allocation percentages will stay within the guidelines as established by the PHS Investment Committee. Partners Treasury, as Managing General Partner of the Investment Pool Program, shall provide information to the requestor and the entity CFO on the investment guidelines and performance of each pool.

Approvals:
Fund Balance must be $1 million or more

___________________________     ________________________________
Requestor        Department Chief
Date:  ______________________     Date:  ___________________________

___________________________     ________________________________
Entity CFO          Division Chief
Date:  ______________________     Date:  ___________________________