

Public Health Institute
Manual of Policies and Procedures

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CHAPTER 1: INTRODUCTION

1.1. PURPOSE AND SCOPE OF MANUAL (DECEMBER 2006)

This manual compiles all written Public Health Institute (PHI) administrative policies of general applicability in one convenient location. It is intended to accomplish the following purposes:

- Facilitate efficient operation of PHI
- Demonstrate PHI's commitment to compliance and ethics
- Reduce uncertainty about institutional policy and resolve disputes
- Communicate performance expectations to employees
- Inform external parties (funding agencies, partners, contractors, vendors, etc.) about PHI's policies

The Manual is also intended to identify the PHI official responsible for developing, maintaining and enforcing each of PHI's policies, and to identify a contact person who can answer questions about the policy.

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Assistant to SVP/COO

1.2. LIMITS AND EXCLUSIONS (DECEMBER 2006)

The Manual is not intended to codify all standard operating procedures or unwritten customary practices at PHI. PHI Department Heads are expected to develop their own internal operating policies and make them available to persons outside their department on a need to know basis.

PHI may, at its discretion, make exceptions to these policies. PHI may, at its discretion, enter into contractual or other agreements with third parties that create exceptions to these policies.

The Manual does not include policies adopted by individual PHI programs and projects.

The Manual may include topic headings for which PHI does not presently have a written policy. These are identified as policies "in development."

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Assistant to SVP/COO

1.3. PROGRAM AND PROJECT POLICIES (DECEMBER 2006)

Individual program and project policies and procedures must be consistent with this Manual. Waivers, exceptions or additional restrictions are not permitted without the written approval of PHI.

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Assistant to SVP/COO

1.4. DEFINITIONS (DECEMBER 2006)

"Audit Committee"—A committee of the Board of Directors (BOD). It selects PHI's independent auditor and confers with the auditor to determine whether PHI's financial affairs are in order, including determining whether to accept the independent audit. The Audit Committee also has responsibilities related to compliance oversight.

"Contract"—A binding legal agreement between a funding agency and PHI. In return for payment from the agency, PHI agrees to provide goods or services to the agency to further the funding agency's objectives. An agreement in which PHI agrees to pay a second party for goods or services needed to achieve PHI's contractual commitments to a funding agency may be a "subcontract" or a "vendor agreement."

"Director"—A member of the BOD, a member of a board committee (whether or not they are members of the Board), and officers of PHI.

"Employee Principal Investigators/Project Directors (Employee PI/PDs)"—Persons who are employees of PHI who have been authorized by PHI to direct one or more of its projects.

"External Principal Investigators/Project Directors (Non-Employee PI/PDs)"—Persons who are employees of the State of California or other institutions who have been authorized by PHI to direct one or more projects on behalf of PHI.

"Funding Agency" or "Funder"—A government agency, private foundation, or other institution or individual that provides financial support for a PHI program or project by means of a contract, grant or other instrument.

"Funding Agency Project Officers"—Persons who have been authorized by an external funding agency to exercise supervision over PHI's performance of a grant or contract. Funding agency project officers may exert substantial influence over the conduct of PHI activities, but they are not authorized by PHI to direct projects on its behalf.

"Grant"—A binding legal agreement between a funding agency and PHI. In return for payment from the agency, PHI agrees to conduct activities that advance scientific or technical knowledge or develop an experimental or new approach to a significant public health concern. An agreement in which PHI agrees to pay a second party to assist in accompanying a grant-funded PHI project. is a "subgrant" or "subaward."

"Headquarters"—The central management and administrative facilities and activities of PHI. Management and administrative activities are conducted primarily at PHI's headquarters (HQ) office in Oakland, but some HQ activities are conducted remotely in project offices.

"Incoming Grant or Contract"—A grant or contract awarded to PHI by a funding agency. Generally speaking, the essential terms of the transaction are payment by the funding agency in return for services or goods provided by PHI.

"Independent Contractor"—An individual who is not an employee of PHI who provides personal services. Independent contractors are also referred to as consultants.

"Information Contact"—The individual (usually a subordinate of the Responsible Institutional Official) who is available to answer questions about a specific policy.

"Management"—Senior Management and the Controller, Director of Grants and Contracts (G&C), and Director of Human Resources (HR)

"Principal Investigator (PI) and Project Director (PD)"—Persons who have been authorized by PHI to direct one or more projects.

"Outgoing Grant or Contract"—A grant or contract awarded by PHI to another party, i.e., a subawardee, subcontractor, independent contractor/consultant, or vendor. Generally speaking, the essential terms of the transaction are payment by PHI in return for goods or services provided by the other party.

"Project"—A non-administrative activity whose purpose is to advance PHI's charitable mission. Project revenues and expenses are separately recorded on PHI's books of account. A group of projects with related objectives may be referred to as a "program" or a "center" within PHI, and the project activities of PHI are sometimes collectively referred to in these policies as "programmatic" activities.

"Responsible Institutional Official"—The PHI official (usually a Department Head or VP) who is responsible for a PHI policy. These responsibilities include: preparing the policy; maintaining and updating the policy to reflect evolving legal or funding agency requirements, business standards or institutional needs; and keeping the policy consistent with other PHI policies. The RIO is also responsible for taking appropriate steps to assure that the policy is complied with, including enforcement, monitoring and when necessary referral to higher authorities within PHI.

"Senior Management"—The President/Chief Executive Officer (CEO), Senior Vice President and Chief Operating Officer (SVP/COO), all other Vice Presidents (VPs), the General Counsel (GC) and the Compliance Officer (CO).

1.5. DISTRIBUTION OF THE MANUAL (DECEMBER 2006)

This Manual is available in downloadable form at PHI's intranet website: www.online.phi.org. A print copy can be obtained from the office of the SVP/COO.

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Assistant to SVP/COO

1.6. POLICY MODIFICATION (DECEMBER 2006)

PHI reserves the right to modify the Manual and policies in the Manual at any time. Modifications to the manual will be posted to the website with a new revision date.

Employees may request that a policy in the Manual be modified or that a new policy be promulgated. Requests should be communicated in writing to the SVP/COO.

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Assistant to SVP/COO

1.7. EFFECTIVE DATE (DECEMBER 2006)

This manual is effective on the date posted on PHI's intranet website, unless a specific policy provides otherwise. Modifications are effective on the revision date posted on the website.

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Assistant to SVP/COO

1.8. INTERPRETATION OF POLICIES (DECEMBER 2006)

The policies in this manual are intended to comply with applicable laws, regulations and funding agency rules and guidelines, and to be consistent with reasonable business practices for nonprofit institutions. If this manual, or a policy contained within it, is in conflict with applicable federal, state or local laws or regulations, the laws and regulations take precedence.

Questions about the interpretation of a policy in the manual should be brought to the attention of the named Information Contact. Interpretive questions that cannot be resolved at lower levels will be transmitted by the Responsible Institutional Official to the SVP/COO, or at his/her discretion, higher authorities within PHI for resolution.

Responsible Institutional Official: SVP/COO

Information Contact: Responsible Institutional Official for specific policy

1.9. POLICY FORMAT (DECEMBER 2006)

Policies in the manual are stated in the following format:

<p>____. Title of policy (rev. date)</p> <p>---Text of policy---</p> <p><i>Responsible Institutional Official:</i></p> <p><i>Information Contact:</i></p> <p><i>Cross references:</i></p>
--

A statement of policy may be accompanied by a cross-reference containing a hyperlink to a PDF document with detailed policy provisions and implementation procedures.

CHAPTER 2: ORGANIZATIONAL STRUCTURE OF THE PUBLIC HEALTH INSTITUTE

2.1. TYPE OF INSTITUTION (DECEMBER 2006)

PHI is a California nonprofit public benefit institution. It was incorporated in 1964. It was previously known as the California Public Health Foundation. It is exempt from federal and state income tax under Internal Revenue Code section 501(c)(3) and California Revenue and Taxation Code section 27301(d). It qualifies as a public charity under the relevant provisions of the Internal Revenue Code. PHI's basic governance documents are its Articles of Incorporation and Bylaws.

Responsible Institutional Official: BOD

Information Contact: GC

Cross-references: [Articles of Incorporation and Bylaws](#)

2.2. CORPORATE MISSION AND VISION (DECEMBER 2006)

The mission of PHI is to promote health, well-being, and quality of life for all people through research and evaluation, training and technical assistance, and by building community partnerships. PHI's vision is to be known as the nation's leading independent nonprofit organization committed to saving lives and improving quality of life by strengthening public health locally and globally.

Responsible Institutional Official: BOD

Information Contact: President/CEO

2.3. ROLE OF THE BOARD OF DIRECTORS (DECEMBER 2006)

PHI is governed by a Board of Directors. The Board is responsible for the ultimate direction and control of PHI. New Board members are elected by the Board. One position on the Board is designated for a PI. The officers of the corporation are the Chairman, Vice-Chairman, Secretary and Treasurer of the Board. The Board has several standing committees, e.g., the Joint Executive-Finance Committee, the Audit Committee, and the Nominating Committee. The Board has the power to delegate authority and responsibility for management of PHI to the President/CEO, and to authorize further delegation.

Responsible Institutional Official: BOD

Information Contact: President/CEO

2.3.1. Responsibilities of the Board Of Directors

Board members have fiduciary and supportive responsibilities. Since PHI is a charitable organization whose assets are deemed to be held in charitable trust, their fiduciary responsibilities are to both PHI and the general public. Fiduciary responsibilities include duties of care, loyalty to PHI's interests, and reasonable inquiry. Board members should also help to make the organization work successfully and achieve its mission. The responsibilities of Board members can be summarized as follows:

- Attend board meetings and actively participate in corporate governance.
- Define the mission and participate in strategic planning.
- Select and evaluate the chief executive.
- Assure financial responsibility by approving the annual budget and overseeing adherence, obtaining an independent audit, and complying with applicable standards for investment of reserve funds.
- Establish a code of conduct and oversee the corporate compliance program.
- Support the staff and oversee programs.
- Contribute to PHI's fundraising efforts.
- Maintain the reputation and effectiveness of PHI.

Responsible Institutional Official: BOD

Information Contact: President/CEO

Cross-references: [Board Responsibilities](#)

2.4. AUTHORITY AND RESPONSIBILITY DELEGATED TO THE PRESIDENT/ CHIEF EXECUTIVE OFFICER (DECEMBER 2006)

The President/CEO has overall authority and responsibility for the management, operation, strategic planning and direction of PHI, subject to the ultimate direction and control of the BOD. The President/CEO reports directly to the BOD. The President/CEO has delegated authority and responsibility to the SVP/COO and other VPs for various aspects of PHI's management and operations. They report directly to the President/CEO. The GC reports to the President/CEO and in some circumstances to the BOD. PHI has several administrative departments, e.g., Accounting, Development, G&C, HR, and Information Technology (IT) whose heads report to the President/CEO or the SVP/COO.

The responsibilities of the President/CEO include all aspects of the business and financial management and operation of PHI. The President/CEO has delegated operational responsibility to the operations division directed by the SVP/COO. The President/CEO retains the responsibility for the overall financial performance of PHI, including the accomplishment of annual financial and management objectives.

The responsibilities of the President/CEO also include achieving PHI's overall programmatic goals and objectives. Since PHI's programmatic activities are financed primarily by external sources, the accomplishment of its programmatic goals requires that it complete its contractual requirements and accomplish its grant objectives. The President/CEO has delegated day-to-day responsibility for completion of contractual deliverables and accomplishment of grant objectives to the individual PI/PDs who direct PHI's projects. The President/CEO is responsible

for selection, retention and supervision of PI/PDs. The President/CEO has delegated responsibility for evaluating the qualifications of prospective PI/PDs to the VP of External Relations.

The responsibilities of the President/CEO include developing a corporate communications strategy, cultivating new business opportunities and relationships with funding agencies, preparing and submitting bids and proposals to funding agencies, and soliciting donations to report PHI's charitable mission. The President/CEO has delegated responsibility to the VP of Development and Communications for these matters. The President/CEO retains responsibility for accomplishing annual program development and fundraising objectives

Responsible Institutional Official: President/CEO

Information Contact: SVP/COO

2.5. OTHER DELEGATED AUTHORITIES AND RESPONSIBILITIES (DECEMBER 2006)

2.5.1. Authority to Sign Agreements, Etc. on Behalf of PHI (DECEMBER 2006)

The BOD has authorized the incumbents in specified management positions to sign grants, leases, contracts, letters of hire and employment agreements and all other agreements and other documents binding the corporation. In addition, the Board has authorized the President/CEO to delegate the aforementioned signature authorities, in whole or in part, in writing to other PHI employees or agents. A signature authorization list is maintained by the SVP/COO. No employee or other person not authorized to enter into agreements or sign documents on behalf PHI is permitted to do so.

Responsible Institutional Official: BOD

Information Contact SVP/COO

2.5.2. Authority to Enter into Relationships with Banks and Other Financial Institutions on behalf of PHI (DECEMBER 2006)

The BOD has authorized certain named individuals and incumbents in certain management positions to enter into relationships with banks and other financial institutions on behalf of PHI and to act as signatories on the PHI's deposit, investment and other accounts. In addition, the BOD has delegated authority to the SVP/COO to authorize others to act as signatories on PHI's deposit, investment and other accounts. No other employee or person may enter into relationships with banks and other financial institutions on behalf of PHI, or act as a signatory on PHI's deposit, investment or other accounts.

Responsible Institutional Official: BOD

Information Contact: SVP/COO

2.5.3. Authority and Responsibility of Principal Investigators/Project Directors (DECEMBER 2006)

Each project conducted by PHI has a named PI or PD. PI/PDs report to the President/CEO. The PI/PDs share the authority and responsibility for projects with PHI's management. Specifically, PI/PDs share authority and responsibility with management for the financial management, business operations, staffing, personnel administration, purchasing and procurement, compliance, and similar aspects of their projects, including consulting with

management on the foregoing matters and/or obtaining approval from management when required by these policies and procedures. PI/PDs have full authority and responsibility over the scientific and technical aspects of their projects, unless their conduct of these matters interferes with or jeopardizes the financial management, business operations, staffing, personnel administration, purchasing and procurement, compliance, etc. of the project or of PHI.

Shared responsibilities of PI/PDs and management include:

- Developing proposals for external project funding for projects.
- Developing project budgets and work programs.
- Selecting project staff, consultants, subcontractors, suppliers and other vendors of goods and services needed to accomplish the project.
- Expending project funds for allowable costs, i.e., costs that are reasonable and necessary for the project, properly allocable to the project's objectives, in conformity with funding agency limitations or requirements, and consistent with PHI's cost-related policies and procedures.
- Completing the project on time, within budget, in accordance with the terms and conditions of the award and to the satisfaction of the funding agency.
- Maintaining positive relationships with funding agencies and partners.

Scientific and technical responsibilities of PI/PDs include:

- Deciding how to accomplish the project's objectives.
- Carrying out the project's scientific and technical activities in a competent, ethical and professional manner.
- Supervising the performance of project staff and overseeing consultants, subcontractors, suppliers and other vendors to assure their satisfactory delivery of goods and services.

Except when individual authorization is granted, PI/PDs (whether employee PI/PDs or non-employee PI/PDs) do not have delegated authority to sign grants, contracts, leases, letters of hire, employment agreements and any other agreements that legally bind PHI, or to enter into relationships with banks and other financial institutions or act as a signatory on PHI's deposit, investment or other accounts.

Responsible Institutional Official: President/CEP, SVP/COO

Information Contact: SVP/COO

2.6. ORGANIZATIONAL CHART (DECEMBER 2006)

An organizational chart displaying key positions in PHI's administration is provided to enable interested persons to identify the substantive responsibilities and lines of authority within the management and administrative departments of PHI.

Responsible Institutional Official: President/CEO

Information Contact: SVP/COO

Cross-references: [Organization Chart](#)

2.7. RESPONSIBLE INSTITUTIONAL OFFICIALS AND INFORMATION CONTACTS (DECEMBER 2006)

A current list of responsible institutional officers and information contacts is contained in the cross-reference below.

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Assistant to SVP/COO

Cross-references: [Responsible Institutional Officials and Information Contacts List](#)

CHAPTER 3: COMPLIANCE AND ETHICS

3.1. CODE OF CONDUCT (DECEMBER 2006)

The BOD has committed PHI to full and consistent compliance with all applicable federal, state, local and foreign laws and regulations that govern its administrative operations and programs. PHI and its employees and agents will refrain from deception, dishonesty, misrepresentation, misappropriation of assets and all other forms of fraudulent behavior. The Board has established a corporate compliance program to demonstrate PHI's commitment to ethics and compliance.

*Responsible Institutional Official: BOD
Information Contact: GC*

3.2. ETHICAL STANDARDS (DECEMBER 2006)

The BOD has committed PHI to ethical standards of honesty and integrity. Decisions will not be based solely on legality, economic considerations or convenience. Employees will also use common sense and their own personal ethics in making workplace decisions, especially those in which the rules do not provide all the answers. To determine whether ethical standards are being met in specific situations, employees should ask themselves whether their actions avoid the appearance of impropriety, would not embarrass or compromise their personal reputation or the reputation of PHI if known publicly, and whether they could credibly defend their actions in public.

*Responsible Institutional Official: BOD
Information Contact: GC*

3.3. POLICIES AND PROCEDURES (DECEMBER 2006)

The BOD has directed the President/CEO to create written policies and procedures to achieve its commitment to compliance and ethical standards, provide documentation for its business practices and make it possible for employees and other parties involved with PHI to conduct themselves in accordance with those policies and procedures.

*Responsible Institutional Official: President/CEO
Information Contact: SVP/COO*

3.4. AVOIDANCE OF CONFLICTS OF INTEREST (DECEMBER 2006)

3.4.1 Conflict of Interest Policy (DECEMBER 2006)

PHI expects its directors, officers, employees, consultants, and agents to act in a manner which is consistent with high standards of honesty and integrity and to refrain from conduct which involves, or appears to involve, actual or potential conflicts of interest.

- Directors, officers, employees, consultants, and agents must not use their positions for purposes that are or appear to be motivated by the financial interests of themselves or others with whom they have family, business, or other ties.
- Directors, officers, employees, and agents must not participate in the award or administration of Institute contracts where they or their immediate family, partner, or an organization which employs or is about to employ any of them, have a financial interest in the contractor.
- Directors, officers, employees, and agents must not solicit or accept gratuities, favors, or anything of monetary value from current or potential contractors, vendors, consultants, subawardees, or other individuals or institutions with which PHI does or may do business.
- Employees must obtain the President/CEO's approval before engaging in outside activity such as consultation, speeches, and conference participation directly related to PHI work.
- PHI's facilities and resources must not be used for political events or activities without the prior approval of the President/CEO.
- Directors, officers, employees, consultants, and agents may have outside financial interests that do not violate these rules.
- Directors will annually affirm in writing their commitment to the conflict of interest policy.
- Directors, officers, employees, and agents shall promptly notify the President/CEO of actual or suspected violations of these rules. Information received is confidential. If the President/CEO finds a violation, He/she will take appropriate administrative action, e.g. oral admonishment, written reprimand, reassignment, demotion, suspension, separation, or other action permissible under PHI's personnel or other policies. Violations related to an NIH award will be reported to NIH.

Responsible Institutional Official: President/CEO
Information Contact: GC

3.4.2 Procurement-Related Conflict-of-Interest (DECEMBER 2006)

No director, employee, officer, or agent of PHI shall participate in the selection, award, or administration of a contract involving PHI if a real or apparent conflict of interest would be involved. Such a conflict would arise when the employee, officer, or agent, or any member of her or his immediate family, his or her partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected.

Responsible Institutional Official: SVP/COO
Information Contact: Director of G&C
Cross-references: [Purchasing Policy](#)

3.4.3 State Employee-Related Conflict-of-Interest (DECEMBER 2006))

The State of California prohibits its employees from serving as a PI/PD on a state contract with PHI. However, if a state official has obtained the written approval of their state supervisor, and that approval has been communicated in writing to PHI (see cross-references for sample forms) it is PHI's policy to authorize them to serve as a PI/PD on a non-state funded PHI project.

PHI will not provide gifts, honoraria, compensation in the form of income, or expense reimbursement to designated state officials except as follows:

- PHI may reimburse designated state officials serving as PI/PDs on non-state funded projects for necessary travel expenses (including conference registration fees) and per diem incurred in the performance of services for PHI (e.g., attending meetings to confer with funding agency officials or report on scientific progress and results of the project), provided that the value of the services furnished to PHI by the state official exceeds the reimbursement for travel expenses and per diem.
- In exceptional circumstances, PHI may reimburse designated state officials who are not PI/PD's but who are substantive participants (e.g., coinvestigator or codirector) on a non-state funded project for necessary travel expenses (including conference registration fees) and per diem incurred in the performance of services for PHI (e.g., attending meetings to confer with funding agency officials or report on scientific progress and results of the project), provided that the value of the services furnished to PHI by the designated state official exceeds the reimbursement for travel expenses and per diem.
- In exceptional circumstances, and if permitted by law, PHI may make gifts of travel expense reimbursement or non-cash nominal benefits to designated state officials who give speeches at conferences, participate in panels, conduct seminars or perform similar activities.

"Designated state officials" are high and mid-level state officials who make discretionary decisions about contracts and other state business and are required to file the State of California Form 700 Statement of Economic Interests. Designated state officials must obtain written approval from their state supervisor to receive travel reimbursement from PHI. PHI will not make payments to third parties for the benefit of designated state officials, e.g., payments directly to airlines, hotels, travel agents, credit card issuers, and professional organizations. Travel expense claims must be submitted in accordance with PHI's policies and procedures for non-employee travel expense reimbursement.

PHI will not make payments to non-designated state employees or to third parties for the benefit of non-designated state employees, except as follows: PHI administers a fund called the Microbial Diseases Laboratory Career Enhancement Grant Program. Its purposes include training certain state laboratory employees. PHI may make payments to non-designated state employees from this fund for travel expenses and conference and training program registration fees. In addition, in exceptional circumstances, PHI may reimburse non-designated state employees (e.g. clerical staff) for occasional, minor project expenses.

Responsible Institutional Official: GC

Information Contact: GC

Cross-references: [Sample State Principal Investigator to Supervisor Letter](#)
[Sample State Letter From Supervisor to Principle Investigator](#)

3.4.4 State Employee Honoraria (DECEMBER 2006)

PHI will not accept honoraria for work performed by state employees on state time.

Responsible Institutional Official: GC

Information Contact: GC

3.5. COMPLIANCE AND ETHICS EXPECTATIONS FOR ALL PHI EMPLOYEES (DECEMBER 2006)

The active understanding and engagement of all employees is necessary for PHI to achieve the Board of Director's commitment to compliance and ethics. PHI has established the basic set of expectations relating to compliance and ethics for all employees set forth below. In addition to these basic expectations, the BOD, Senior Management, other managers, and PI/PD's have extra responsibilities in the area of compliance and ethics.

All employees will have a practical working knowledge of the legal requirements, if any, that apply to their position, and a practical working knowledge of PHI's ethical standards and the policies and procedures in this manual that apply to their position. All employees will review the Compliance and Ethics chapter of this manual annually, and certify in writing that they understand their responsibilities. Employees will comply with legal requirements that apply to their position and refrain from deception, dishonesty, misrepresentation, misappropriation of assets and all other forms of fraud. They will make every effort to follow PHI's ethical standards and observe the policies and procedures in this manual. Employees will obtain help from their immediate supervisors if they don't understand the requirements of their position. They will not attempt to evade or manipulate the requirements of this section. Employees will promptly report any perceived illegal, fraudulent, or unethical behavior or violations of the policies and procedures in this manual.

Employees who fail to meet compliance expectations will be subject to disciplinary action in accordance with PHI's personnel policies.

Responsible Institutional Official: SVP/COO
Information Contact: GC

3.6. COMPLIANCE LEADERSHIP EXPECTATIONS (DECEMBER 2006)

3.6.1 Board of Directors (DECEMBER 2006)

The BOD will create a culture of compliance within PHI. The Board will assure that adequate systems are in place to facilitate and promote ethical and legal conduct. In furtherance of these objectives, the Board has created an Audit Committee to confer with PHI's independent auditor as to whether the financial affairs of the corporation are in order, oversee the compliance program and report on compliance to the full board, and review and determine whether to accept the independent audit. Individual directors will comply with legal requirements that apply to them in their capacity as directors, follow PHI's ethical standards, and observe applicable policies and procedures in this manual.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

3.6.2 Senior Management (DECEMBER 2006)

In addition to the compliance expectations for all PHI employees described above, Senior Managers have extra leadership responsibilities:

- Senior Management will put adequate systems in place to facilitate and promote ethical and legal conduct. They will train the workforce on compliance and ethics. They will promote a culture of compliance within PHI.
- The members of Senior Management will be knowledgeable about the legal compliance requirements that apply to PHI, PHI's ethical standards, and the policies and procedures in this manual.
- They will have in-depth knowledge and substantial expertise about the legal requirements, ethical standards, and policies and procedures that apply to the division of PHI for which they have overall responsibility.
- They will make their best efforts to assure that their division and their subordinates are in compliance with legal requirements, ethical standards, and policies and procedures.
- They will be familiar with the types of improprieties that might occur within their division and alert for indications of irregularity. They will put systems in place to detect and prevent noncompliance, unethical behavior and violation of these policies and procedures.
- Senior Management who fail to meet compliance leadership expectations will be subject to disciplinary action in accordance with PHI's personnel policies.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

3.6.3 Other Operations Managers (DECEMBER 2006)

In addition to the compliance expectations for all PHI employees described above, other operations managers have extra responsibilities:

- Operations Managers will have a general understanding of the legal compliance requirements that apply to PHI.
- Operations Managers will have a thorough understanding of the legal requirements, if any, ethical standards, and policies and procedures that apply to their department.
- Operations Managers will make their best efforts to assure that their department and their subordinates are in compliance with applicable legal requirements, ethical standards, and policies and procedures.
- Operations Managers will be familiar with the types of improprieties that might occur within their department and alert for indications of irregularity.
- Operations Managers will follow the procedures established by Senior Management to detect and prevent noncompliance, unethical behavior and violation of these policies and procedures.
- Operations Managers who fail to meet compliance leadership expectations will be subject to disciplinary action in accordance with PHI's personnel policies.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

3.6.4 Employee Principal Investigator/Project Director (DECEMBER 2006)

In addition to the compliance expectations for all PHI described above, PI/PD's who are employees of PHI have extra responsibilities:

- Employee PI/PDs will understand the legal requirements, if any, ethical standards, and policies and procedures that apply to their project.
- Employee PI/PD's will make their best efforts to assure that the project staff under their supervision comply with legal requirements, ethical standards, and PHI policies and procedures.
- Employee PI/PDs will follow the procedures established by Senior Management to detect and prevent noncompliance, unethical behavior and violation of these policies and procedures.
- Employee PI/PD's who fail to meet compliance leadership expectations will be subject to disciplinary action in accordance with PHI's personnel policies.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

3.7. REPORTING WRONGDOING (DECEMBER 2006)

Employees who discover or reasonably suspect illegal activity, fraud or other serious wrongdoing will immediately bring the matter to the attention of the SVP/COO. Reporting is expected whether it involves PHI's officers, directors, employees, representatives, consultants, contractors, business partners, vendors, funding sources or any other persons or institutions with a business or programmatic relationship with PHI.

PHI encourages the initial review and if possible resolution of less serious types of wrongdoing at the supervisory level. Employees who discover or reasonably suspect these types of noncompliance, unethical behavior, or policy violation will promptly bring them to the direct attention of their immediate supervisor. Reporting is expected whether it involves PHI's officers, directors, employees, representatives, consultants, contractors, business partners, vendors, funding sources and any other persons or institutions with a business or programmatic relationship with PHI.

Supervisors will take reports of wrongdoing seriously. They can ask for help from the SVP/COO in conducting an inquiry into an allegation. The SVP/COO should be notified whenever an initial inquiry indicates that an allegation appears to have a reasonable basis. If employee discipline may be called for, the supervisor should bring the matter to the attention of the HR Department before taking action.

Employees should not attempt to personally conduct investigations. Employees do not have the right to participate in investigative activities except as requested by investigators. The intentional filing of a false, malicious or frivolous report is a basis for employee discipline.

Problems related to the work environment, working conditions, employee supervision and discipline, and similar matters should be addressed through the Problem Resolution Procedure in the Personnel Policy Manual. Harassment allegations should be addressed through the Harassment-Free Work Environment Policy in the Personnel Policy Manual.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

3.7.1 Reporting Wrongdoing to the Compliance Officer (DECEMBER 2006)

Sometimes PHI employees may not want to report to supervisors or management. For example, they may suspect wrongdoing without having sufficient knowledge to make an accusation. Wrongdoing by supervisors or management may be suspected or discovered. Some individuals may have reason for heightened concern about confidentiality or retaliation. In these circumstances, employees can report their concerns to the PHI CO.

Responsible Institutional Official: Compliance Officer

Information Contact: Compliance Officer

3.7.2 Investigation of Suspected Wrongdoing (DECEMBER 2006)

The SVP/COO is responsible for investigating allegations of wrongdoing brought to his/her attention. The SVP/COO may use any methods he/she deems necessary to investigate allegations of wrongdoing. He/she shall have free and unrestricted access to all records and premises, including the authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities or media without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of the investigation. The SVP/COO may interview employees or other persons, individually or collectively, in connection with an investigation. The SVP/COO may use the services of outside experts including accountants, lawyers and investigative services. All employees will cooperate with the investigation and may be disciplined for failing to do so.

If an investigation provides substantiation of illegal activities, fraud or other serious wrongdoing, the SVP/COO will report the matter to the Audit Committee. If suspected fraud or other serious wrongdoing involves programs funded in whole or in part with federal or state funds, additional responsibilities such as reporting and disclosure to the awarding agency, may come into play. It is PHI's policy to fully comply with all reporting, disclosure and other requirements pertaining to suspected acts of fraud and other wrongdoing in accordance with applicable laws and regulations or as described in award documents.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

3.7.3 Confidentiality (DECEMBER 2006)

The SVP/COO will treat communications and information received in the course of an investigation, including the identity of the employee or representative who has made a report, in confidence to the maximum extent possible consistent with the need for full and complete investigation, external reporting, enforcement and discipline. Absolute confidentiality cannot be guaranteed. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

3.7.4 Protection of Employees Who Report Suspected Wrongdoing (DECEMBER 2006)

PHI has a zero-tolerance policy for retaliation. No adverse action or retribution of any kind will be taken against an employee because he or she reports actual or suspected wrongdoing (except wrongdoing by the reporting individual) in good faith to PHI. Similarly, no adverse action or retribution of any kind will be taken by PHI against an employee because he or she discloses information to an appropriate government or law enforcement agency when the employee has reasonable cause to believe that the information discloses a violation of, or noncompliance with, a state or federal statute, rule or regulation.

Responsible Institutional Official: SVP/COO, GC
Information Contact: Director of HR

3.7.5 Corrective Action and Discipline (DECEMBER 2006)

When an investigation substantiates a reported violation, PHI will initiate corrective action. Appropriate action may include reporting to law enforcement for prosecution, initiating legal proceedings to recover misappropriated assets, terminating business relations with wrongdoers, notifying the appropriate government agency, instituting disciplinary action against employees as necessary, and implementing institutional changes to prevent a similar violation from occurring in the future. Individual disciplinary actions involving employees will be made in accordance with PHI personnel policies and procedures.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

3.7.6 Responding to Government Investigations (DECEMBER 2006)

In the event of a government investigation, employees should immediately notify the SVP/COO and the GC. Employees should not under any circumstances destroy or alter documents in anticipation of a government investigation or request for information, lie or make misleading statements to government investigators, or pressure anyone to hide information or provide false or misleading information to government investigators.

Responsible Institutional Official: SVP/COO
Information Contact: GCI

3.8. COMPLIANCE EDUCATION (DECEMBER 2006)

The SVP/COO is responsible for conducting a program of education for employees about the legal, contractual and other compliance obligations of PHI, and about these policies and procedures. The nature and extent of this program will depend on available resources. The VP for Development, Director of G&C, Director of HR, GC, CO and other members of management will assist the SVP/COO upon request in designing and conducting the program.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

3.9. COMPLIANCE MONITORING AND AUDITING (DECEMBER 2006)

The SVP/COO is responsible for conducting an internal assessment of the organization's compliance and response to external audits and investigations. The nature and extent of compliance monitoring and auditing will depend on the available resources. The VP for Development, Director of G&C, Director of HR, GC, CO and other members of management will assist the SVP/COO compliance monitoring and auditing.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

3.9.1 Annual Independent Audit (DECEMBER 2006)

PHI will have an annual independent audit of its financial statements by an independent accounting firm. The audit will include testing of internal controls over financial reporting and compliance with certain provisions of laws, regulations, contracts and grant agreements and of the matters in accordance with Government Auditing Standards and OMB Circular A-133.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

3.10. COMPLIANCE RISK ASSESSMENT AND REMEDIATION (DECEMBER 2006)

Senior management will identify high-risk activities, review past problems and allocate resources to prevention. The nature and extent of compliance risk assessment and monitoring and auditing will depend on available resources. The VP for Development, Director of G&C, Director of HR, GC, CO and other members of management will assist the SVP/COO upon request in compliance risk assessment and remediation.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

3.11. NOTIFICATION TO THE COMPLIANCE OFFICER (DECEMBER 2006)

The SVP/COO will notify the CO annually in writing of the status of PHI's compliance education program, compliance monitoring and auditing, and compliance risk assessment and remediation,

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

3.12. COMPLIANCE AND ETHICS PROGRAM (DECEMBER 2006)

PHI's BOD has adopted a compliance and ethics program. The BOD, the SVP/COO and the CO each have responsibility for aspects of the compliance and ethics program.

Responsible Institutional Official: BOD

Information Contact: SVP/COO, GC

3.12.1 Board of Directors (DECEMBER 2006)

The BOD is responsible for:

- Adopting and periodically re-examining PHI's code of conduct and ethical standards.
- Receiving reports on compliance matters from the SVP/COO and CO, and taking appropriate responsive action.
- Maintaining the confidentiality of information received from the SVP/COO and CO to the maximum extent possible consistent with the need for full and complete investigation, external reporting and discipline.

Responsible Institutional Official: BOD

Information Contact: SVP/COO, GC

3.12.2 Senior Vice President/Chief Operating Officer (DECEMBER 2006)

The SVP/COO is responsible for:

- Monitoring and auditing levels of compliance within PHI.
- Identifying high-risk activities, reviewing past problems and allocating resources to prevention.
- Notifying the Audit Committee on an annual basis with respect to the foregoing matters.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

3.12.3 Compliance Officer (DECEMBER 2006)

The CO is appointed by the BOD, and his/her authority and duties are specified by the Board.

The CO is responsible for:

- Notifying employees about PHI's code of conduct and ethical standards and PHI's confidential reporting system.
- Obtaining annual written certification by all employees that they have read and understand PHI's code of conduct and ethical standards and their rights and responsibilities, and will comply with them.
- Receiving and investigating complaints and allegations initiated through PHI's confidential reporting system.
- Notifying the Audit Committee of the Board about complaints and allegations initiated through PHI's confidential reporting system.
- Maintaining thorough records of complaints and investigations and the results, including any remedial or disciplinary action taken.
- Monitoring the effectiveness of the compliance program.
- Reporting annually to the Audit Committee with respect to compliance program education, the results of investigation of complaints and allegations initiated through PHI's confidential reporting system, and the effectiveness of the compliance program.

Responsible Institutional Official: CO
Information Contact: CO

3.13 COMPLIANCE AND ETHICS PROGRAM IMPLEMENTATION PROCEDURE (DECEMBER 2006)

3.13.1 Educating Employees about PHI's Compliance Program (DECEMBER 2006)

The CO is responsible for notifying employees of PHI's compliance program. Specifically, the CO will notify employees about PHI's code of conduct and confidential reporting process.

Responsible Institutional Official: CO
Information Contact: CO

3.13.2 Initial Compliance Program Notification (DECEMBER 2006)

After the initial adoption of these policies and procedures and posting on PHI's internal website, all employees will be notified about the compliance program by e-mail.

Meetings will be held in various locations to inform all managers and employee PI/PDs about the compliance program, the responsibilities of managers and PI/PDs, and PHI's policies and procedures. Attendance is mandatory. Non-employee PI/PDs are encouraged to attend.

Information about the compliance program will be posted on PHI's external website.

Responsible Institutional Official: CO
Information Contact: CO

3.13.3 New Employee Notification About the Compliance Program (DECEMBER 2006)

Attendance at a presentation about PHI's compliance program will be mandatory for all new employees at the time of their new employee orientation. There will also be a mandatory presentation for new managers about their special compliance responsibilities.

Responsible Institutional Official: CO
Information Contact: CO

3.13.4 New Non-Employee PI/PD Notification About the Compliance Program and their Compliance Responsibilities (DECEMBER 2006)

Attendance at a presentation about PHI's compliance program and the special compliance responsibilities of PI/PD's is strongly encouraged for all new non-employee PI/PD's.

Responsible Institutional Official: CO
Information Contact: CO

3.13.5 Annual Employee Certification (DECEMBER 2006)

Employees will receive a message once a year on their electronic time report requiring them to make the requisite certification.

Responsible Institutional Official: CO
Information Contact: CO

3.13.6 Confidential Reporting to the Compliance Officer and Protection of Employees who Report Suspected Wrongdoing (DECEMBER 2006)

Employees who discover or reasonably suspect wrongdoing should ordinarily report the matter as provided in section 3.7. However, as indicated in section 3.7.1, there may be circumstances in which a confidential or anonymous method of reporting complaints or concerns to a person outside management is preferred by the individual. In these circumstances, employees have the option of reporting directly to the CO. Employees can communicate their concerns to the CO in person or anonymously.

The CO will treat all communications and information received in the course of an investigation, including the identity of the employee who has made a report, in confidence to the maximum extent possible consistent with the need for full and complete investigation, reporting to the Audit Committee, external reporting, enforcement and discipline. Absolute confidentiality cannot be guaranteed. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

If an employee who discovers or suspect wrongdoing would prefer to remain anonymous, they can leave an anonymous message on a password-protected 800 telephone number. No one except the CO has the password. A friend or relative may dictate the message if desired. Alternatively, a written message may be communicated anonymously to the CO. The CO will make no effort to discover the identity of an anonymous reporter, and if the identity is for some reason known to the CO, he or she will not disclose it to any person. The anonymous telephone number is 1-888-613-1499.

Since the CO is unable to interview anonymous reporters, they must provide sufficient corroborating evidence to justify the commencement of an investigation. Investigation of unspecified wrongdoing or broad allegations cannot be undertaken without some verifiable evidentiary support.

Employees should not attempt to personally conduct investigations or interviews. Employees do not have the right to participate in investigative activities except as requested by investigators. The intentional filing of a false, malicious or frivolous report is a basis for employee discipline.

Responsible Institutional Official: CO
Information Contact: CO

3.13.7 Investigations by the Compliance Officer (DECEMBER 2006)

The CO will investigate confidential or anonymous concerns, allegations or other complaints brought to his/her attention. The CO has the resources at the disposal of the BOD to conduct investigations. The CO may use any methods he/she deems necessary to investigate allegations of wrongdoing. He/she shall have free and unrestricted access to all records and premises, including the authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities or media without prior knowledge or consent of any individual who may use or have custody of any such items or facilities when it is within the scope of the investigation. The CO may interview employees or other persons, individually or collectively, in connection with an investigation. The CO may use the services of outside experts including accountants, lawyers and investigative services. All employees will cooperate with the investigation and may be disciplined for failing to do so. The CO may disclose the subject matter of an investigation to the SVP/COO and work directly with him/her in the conduct of the investigation unless the CO concludes (with the concurrence of the Audit Committee) that it is necessary to launch an investigation without the involvement of the SVP/COO.

In the case of allegations against members of the BOD or Senior Management, the CO will conduct an independent investigation. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

Responsible Institutional Official: CO
Information Contact: CO

3.13.8 Corrective Action and Appropriate Discipline for Violations (DECEMBER 2006)

When an investigation by the CO substantiates a reported violation, the CO will notify the Audit Committee and the SVP/COO. PHI will take appropriate corrective action in response to a

material violation of legal compliance requirements, PHI's ethical standards or these policies and procedures. Appropriate action may include reporting to law enforcement for prosecution, initiating legal proceedings to recover misappropriated assets, terminating business relations with wrongdoers, notifying the appropriate government agency, instituting disciplinary action against employees as necessary, and implementing institutional changes to prevent a similar violation from occurring in the future. Individual disciplinary actions involving employees will be made in accordance with current personnel policies and procedures.

Responsible Institutional Official: CO

Information Contact: CO

3.13.9 Compliance Officer Reporting to the Audit Committee (DECEMBER 2006)

The CO will report the receipt of all confidential or anonymous concerns, allegations or complaints to the Audit Committee. The Audit Committee will be kept informed about the progress and results of any investigation, whether conducted by the CO alone or with the assistance of the SVP/COO.

The CO will provide an annual report to the Audit Committee describing the status of compliance program notification, the outcome of investigations conducted by the CO, and the overall operation of the compliance program including compliance education, monitoring and auditing, risk assessment and remediation.

Responsible Institutional Official: CO

Information Contact: CO

3.14 COMPLIANCE EXPECTATIONS FOR EXTERNAL PI/PD'S (DECEMBER 2006)

PHI allows external PI/PD's to direct projects on behalf of PHI, including giving them authority over scientific and technical performance and operational matters such as project expenditures and supervision of PHI employees. PHI requires the assistance and cooperation of external PI/PD's to fulfill the legal and compliance obligations associated with sponsored projects, operate in an ethical manner, and consistently follow its internal policies and procedures.

External PI/PD's are ordinarily employees of other institutions, usually the State of California. They have compliance, ethics and policy obligations to these employers. In the absence of a direct employment relationship, PHI's has modified its compliance expectations for external PI/PD's. PHI has the following expectations for external PI/PD's:

- External PI/PD's will have the approval of their employer to direct the technical and administrative aspects of projects on behalf of PHI.
- External PI/PD's will not undertake projects at PHI if for any reason they cannot meet PHI's compliance expectations.
- External PI/PD's will be personally responsible for compliance with any legal requirements that apply to them individually or in any capacity other than as external PHI PI/PDs.
- External PI/PD's will respect PHI's code of conduct and ethical standards.
- External PI/PD's will make a good faith effort to familiarize themselves with the legal requirements, ethical standards and policies and procedures applicable to the actions they take on behalf of PHI.

- External PI/PD's will obtain help from the appropriate point of contact within PHI if they are not familiar with or do not understand the relevant requirements. PHI is aware that external PI/PD's may need more assistance than employee PI/PD's, and it will make every effort to accommodate them.
- External PI/PD's will not attempt to evade or manipulate legal requirements, ethical standards or PHI policies and procedures applicable to their projects.
- External PI/PD's will make a good faith effort to assure that PHI employees under their supervision comply with legal requirements, ethical standards and PHI policies and procedures.
- External PI/PD's who fail to meet compliance expectations will be subject to withdrawal of their authority to act on behalf of PHI, reporting to their employer, and reporting to other authorities as PHI deems necessary.

Responsible Institutional Official: President/CEO
Information Contact: SVP/COO

CHAPTER 4: BEING A PHI PRINCIPAL INVESTIGATOR ON A RESEARCH PROJECT OR A PROJECT DIRECTOR ON A NON-RESEARCH PROJECT

4.1. BEING A PHI PRINCIPAL INVESTIGATOR ON A RESEARCH PROJECT OR A PHI PROJECT DIRECTOR ON A NON-RESEARCH PROJECT (DECEMBER 2006)

An individual cannot become a PHI PI/PD on any type of project until they are credentialed by a review committee. This process assures the PI/PD community that only qualified, mission-oriented individuals are credentialed as a peer group of project leaders at PHI. PHI screens and reviews qualified candidates for PI/PD status using an initial management screening, a standardized and streamlined application process, and one of two review committees for final determination.

*Responsible Institutional Official: VP of External Relations
Information Contact: VP of Development & Communications*

4.2. PRE-APPLICATION SCREENING INTERVIEW

Before being given an application candidates inquiring about applying to become a PHI PI/PD are screened by the President CEO or a VP to determine fit with mission and likelihood of success with fund development. If a candidate is considering transferring an existing project from another institution, interview may be more extensive and may include other members of the operations team.

*Responsible Institutional Official: VP of External Relations, VP of Development & Communications
Information Contact: VP of Development & Communications*

4.3. SUBMITTING CREDENTIAL APPLICATION PACKAGE

All candidates that have been encouraged to apply for status as a PI/PD must complete an application. Once received, references are contacted. When all references are provided, the relevant committee (research or non-research) meets to determine outcome.

*Responsible Institutional Official: VP of External Relations
Information Contact: VP of Development & Communications*

4.4. EXPEDITED APPLICATION

If a candidate needs preliminary approval prior to the next scheduled review committee meeting, the review committee will schedule a special meeting to determine whether a proposal can be submitted in advance of the meeting and credentialing determination (expedited approval).

*Responsible Institutional Official: VP of External Relations
Information Contact: VP of Development & Communications*

4.5. PI/PD CREDENTIALING COMMITTEES

There are two PI/PD credentialing committees, one for research PI/PDs and one for non-research PI/PDs. The members of the committees are selected by the VP of External Relations and the VP of Development & Communications.

Responsible Institutional Official: VP of Development & Communications

Information Contact: VP of Development & Communications

4.6. NEW PI/PD CREDENTIALING CRITERIA

The credentialing committees will consider the following factors in reviewing a candidate's credentials: education, training, knowledge, experience, and skills, including scientific, professional and/or technical competencies relevant to the type of programs or projects proposed to be undertaken by the candidate, managing externally-funded programs or projects, supervising employees, consultants, subcontractors and vendors, completing project tasks and deliverables in a timely manner and within budget, ability to contribute to PHI's mission and become successfully integrated into the current PI/PD community, need for financial and other institutional support such as mentoring in order to be able to contribute meaningfully to PHI, potential for partnering synergistically with other institutions and PI/PDs, risks or liabilities that might accrue to PHI, existence of a more appropriate institution for the project or candidate, and other factors as appropriate. The decision of the credentialing committee is final.

Responsible Institutional Official: VP of Development & Communications

Information Contact: VP of Development & Communications

4.7. HUMAN SUBJECTS EDUCATION

All candidates must provide evidence of completion of human subjects training.

Responsible Institutional Official: VP of Development & Communications

Information Contact: IRB Administrator

4.8. ORIENTATION OF NEW PI/PDS

New PI/PDs will be oriented to the services of the Development Department at the time proposals are submitted. When funding is imminent, The Development Department will introduce the new PI to Senior Management and to the Grants and Contracts Department for further orientation on PHI's operational procedures.

Responsible Institutional Official: VP of Development & Communications

Information Contact: VP of Development & Communications

CHAPTER 5: FUNDS DEVELOPMENT

5.1 ORGANIZATION AND RESPONSIBILITIES OF THE DEVELOPMENT DEPARTMENT (DECEMBER 2006)

The PHI Development Department is composed of three functional units: Funder Identification, Bid & Proposal (B&P), and Fundraising.

Responsible Institutional Official: VP of Development & Communications
Information Contact: VP of Development & Communications

5.2 INSTITUTIONAL FUNDING OPPORTUNITIES (DECEMBER 2006)

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Administrative Assistant

5.3 CONTRACT BIDS/GRANT PROPOSALS (DECEMBER 2006)

The B&P Unit within the Development Department assists credentialed PI/PDs with the preparation, completion, review, and submission of new and revised federal, state, and foundation grant and contract applications. Reports are provided for Senior Management and the BOD. Staff members respond to requests from other PHI departments as well as funders for clarification of policies and procedures, and maintain databases, files, and records.

All proposals will be reviewed and approved through the B&P Unit prior to being submitted to any potential funder. If an application or proposal is submitted without institutional review and approval, PHI reserves the right to refuse any resulting award. A record is kept of reviews and approvals.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.3.1 Funder Guidelines (DECEMBER 2006)

Proposals may be submitted only when they are in accordance with PHI's policies and guidelines issued by the funder. PI/PD's and B&P staff are expected to be familiar with the funder's guidelines for each proposal submitted.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.3.2 Pre-Award Risk Assessment (DECEMBER 2006)

All proposals are evaluated for impact on PHI's business, PHI's employment practices, PHI's financial health, and the regulatory environment in which we operate. In addition, the proposed work must fall within the organization's mission.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.3.3 Bid and Proposal Requirements (DECEMBER 2006)

The B&P team and the PI/PD ensure that all pre-award procedures and required documentation are complete and on file.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.3.4 Documentation Required for Consultant Participation (DECEMBER 2006)

A letter of commitment to the proposed project will be obtained from all identified consultants that states the role on the project, scope of work, rate, effort commitment, and confirms availability. The letters should be addressed to the Public Health Institute, not the PI/PD.

If the consultant is a paid employee of another organization, the consultant will be required to certify that s/he is not in violation of any existing employment agreements that s/he has with any current employer.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.3.5 Documentation Required for Collaborator/Subcontractor Participation (DECEMBER 2006)

When the collaborating partner is known, detailed budgets, budget justifications, representations and certifications, etc. are required from the potential collaborator/subcontractor that parallel those documents required for PHI's submission to the funding agency. A letter of commitment signed by an individual authorized to bind the collaborating partner or subcontractor is also required.

If the proposal includes resources that are being contributed (no budget requested) by the collaborating organization, these resources should be specifically identified in the letter of commitment. The letters should be addressed to the Public Health Institute, not the PI/PD.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.3.6 Eligibility and Organizational Capabilities (DECEMBER 2006)

PHI should be clearly identified as the applicant organization and included in any organizational description.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.3.7 Technical Narrative (DECEMBER 2006)

The PI/PD is responsible for the technical portion of the application. B&P will review for reasonableness of budget and timeline, adequacy of documentation, compliance with the policies of PHI and the guidelines of PHI and the funder.

*Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager*

5.3.8 Budget and Budget Justification (DECEMBER 2006)

B&P must review and approve all budgets for compliance with PHI policies established by the SVP/COO and funder guidelines. The direct cost budget must be sufficient to complete the scope of work within the stated time frame. In order to treat programs and projects equitably and maintain the working capital and reserves necessary for PHI's long-term financial stability, PHI policy is to include indirect costs in cost-reimbursement proposals and negotiate indirect costs with funding sources on a modified total direct cost base at PHI's current federal provisional IDC rate. Exceptions may be made in the discretion of the President/CEO, who may refer the matter to the BOD for resolution in the appropriate circumstances.

*Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager*

5.3.9 Review of Terms and Conditions

The Bid & Proposal Unit will review all funding agency terms and conditions. Exceptional or unusual performance requirements or policies will be referred to the SVP/COO.

*Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager*

5.3.10 Final Review and Institutional Signature (DECEMBER 2006)

All bids and proposals are reviewed and approved by B&P and signed by a signatory authorized by the BOD. This signature evidences the review and approval of the proposal. B&P must have a full and complete copy of all submitted materials as required, by audit requirements and good business practices.

*Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager*

5.3.11 Submission (DECEMBER 2006)

The B&P Unit will submit all applications. Requests for exceptions will be considered if required by the funder's application system.

*Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager*

5.3.12 Recording, Tracking, and Reporting (DECEMBER 2006)

All submissions are recorded, progress is tracked, and reports are routinely made to Senior Management and BOD.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.3.13 Negotiation (DECEMBER 2006)

B&P reviews items subject to negotiation and brings to closure. B&P Unit works with funder representatives and the PI/PD to successfully resolve any issues, including the revision of scopes of work and budgets as necessary. Other PHI departments are included in negotiations as necessary.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.3.14 Disposition of Proposals (DECEMBER 2006)

- Funding awarded—B&P assures that the official award document reflects the final proposed budget and scope of work. B&P transfers the award and application package to the G& C Department. If the award is from a private foundation, an acknowledgement is sent from the Chief Executive Officer to the program officer expressing appreciation. The tracking system is updated per the award document.
- Funding denied—B&P notifies the PI/PD and arranges for the notification of partners; closes and stores the file according to document retention guidelines. The tracking system is updated.

Responsible Institutional Official: VP of Development & Communications
Information Contact: Development Bid & Proposal Manager

5.4 SOLICITATION, CULTIVATION AND FUNDRAISING (DECEMBER 2006)

PHI's policies relating to solicitation and cultivation of individual donors and fundraising campaigns are available from the Development Department.

Responsible Institutional Official: VP Development and Communications
Information Contact: VP Development and Communications

5.4.1 Compliance with Charitable Solicitation and Requirements for Reporting Donations (December 2006)

There are a variety of laws that regulate charitable solicitations and require reporting of contributions and the receipt of donations by exempt organizations like PHI. PHI headquarters and PHI projects that solicit donations are expected to be in compliance with these laws.

“State or local regulation”—There are State laws in California that regulate solicitations on behalf of charitable organizations in addition, over 200 cities and counties in California have

enacted local ordinances that regulate charitable solicitations. These laws usually require on permit Bob and compliance with various disclosure requirements. PHI headquarters and PHI projects should obtain the requisite permits before soliciting donations.

“IRS limit on deductibility of ‘quid pro quo’ contributions”—If PHI gives something of value to a donor in return for a donation (e.g., goods or services such as meals or admission to an event), the donor's federal income tax deduction is limited to the amount in excess of the fair market value of the goods or services received. If the quid pro quo has insubstantial value, the full amount of the donation may be deducted. "Insubstantial value" is currently defined as 2% of the donation or \$62, whichever is less, or a token item like a key chain or T-shirt in return for a gift of \$32 or more.

“\$75 quid pro quo contribution disclosure requirement”—If PHI gives something of value in return for contribution over \$75, it must provide the donor, at the time of the solicitation or when the contribution is received, with a written, good faith estimate of the value of the quid pro quo and notification that the deductible portion of the donation is limited to the excess over that amount. Disclosure is not required if the quid pro quo has "insubstantial value," as defined above.

PHI headquarters or projects that are planning fundraising events involving sales of admission tickets or other goods or services of value should make an advance determination of the fair market value of the quid pro quo, whether or not the donation exceeds \$75. Unless the quid pro quo has insubstantial value, headquarters or the project should display the following or similar statement on invitations, advertising, and other written solicitations:

"The Public Health Institute is a tax exempt charitable organization. You are donation to the Public Health Institute is deductible to the extent allowed by law. The fair market value of goods and services provided in return for your donation is \$_____. the deductible amount of your donation is limited to the amount donated in excess of this amount."

“\$250 substantiation requirement”—A charitable contribution of \$250 or more is not deductible unless the donor obtained contemporaneous written acknowledgment from the charity. If headquarters or a project expects to receive individual donations in excess of \$250 (whether or not a quid pro quo will be provided in return) the following or similar acknowledgment should be provided to the donor:

"The Public Health Institute is a tax exempt charitable organization. Your donation of \$_____ to the Public Health Institute is greatly acknowledged. Donations are deductible to the extent allowed by law."

Responsible institutional official: VP Development and Communications
Information Contact: VP Development and Communications

CHAPTER 6: CENTRAL OPERATIONS

6.1. ORGANIZATION OF OPERATIONS DIVISION (DECEMBER 2006)

The Operations Division is comprised of the following departments: Accounting, Grants and Contracts, Human Resources and Information Technology. The Operations Division is directed by the SVP/COO.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

6.2. RESPONSIBILITIES OF THE OPERATIONS DIVISION (DECEMBER 2006)

The Operations Division is responsible for the day-to-day management and operations of the entire institution, including; developing and carrying out the policies and procedures of PHI as it relates to budget, financial management, accounting, compliance, intellectual property, human resources and personnel, grants and contracts administration, security, information technology and electronic communications, and miscellaneous operational policies. The SVP/COO has delegated responsibility and authority for day-to-day management and operation of these functional areas to their respective department heads, while retaining the responsibility for policymaking, evaluation and decision making with respect to unusual or high-risk matters, or operational matters for which no policies and procedures currently exist.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

CHAPTER 7: BUDGET AND FINANCIAL MANAGEMENT

7.1. RESPONSIBILITIES FOR THE BUDGET AND FINANCIAL MANAGEMENT OF THE PUBLIC HEALTH INSTITUTE (DECEMBER 2006)

The President/CEO has delegated responsibility for preparation of PHI's annual budget and for financial management to the SVP/COO.

Responsible Institutional Official: CEO
Information Contact: SVP/COO

7.2. FISCAL YEAR (DECEMBER 2006)

PHI shall operate on a fiscal year that begins on January 01 and ends on December 31. Any changes to the fiscal year of PHI must be ratified by majority vote of PHI's BOD.

Responsible Institutional Official: BOD
Information Contact: SVP/COO

7.3. FINANCIAL MANAGEMENT POLICIES (DECEMBER 2006)

The financial management policies of PHI are set forth below.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

7.3.1 Overview (DECEMBER 2006)

Budgeting is an integral part of managing any organization. It is concerned with the translation of organizational goals and objectives into financial and human resource terms. A budget should be designed and prepared to direct the most efficient and prudent use of PHI's financial and human resources. A budget is a management commitment of a plan for present and future organizational activities. It provides an opportunity to examine the composition and viability of PHI's programs and activities simultaneously in light of the available resources. The CEO establishes the annual financial and management objectives.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

7.3.2 Preparation and Adoption (DECEMBER 2006)

It is the policy of PHI to prepare an annual budget to carry out the financial and management objectives established by the CEO. To prepare the PHI budget, the SVP/COO shall gather proposed budget information from all Department Directors and others with budgetary responsibilities and prepare the first draft of the budget. Budgets proposed and submitted by

each department should be accompanied by a narrative explanation of the sources and uses of funds and explaining all material fluctuations in budgeted amounts from prior years.

After appropriate revisions and a compilation of all department budgets by the COO, a draft of PHI-wide budget, as well as individual department budgets, will be presented to the President for discussion, revision, and initial approval.

The revised draft is then submitted to the Executive/Finance Committee of the BOD, and finally to the entire BOD for adoption.

It is PHI's policy to adopt a final budget at least 30 days before the beginning of PHI's fiscal year. The purpose of adopting a final budget at this time is to allow adequate time for the staff 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.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

7.3.3 Monitoring Performance (DECEMBER 2006)

It is PHI's policy to monitor its financial performance by comparing and analyzing actual results with amounts budgeted. This function shall be accomplished through regular reports to the Executive/Finance Committee.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

7.3.4 Budget Modifications (DECEMBER 2006)

Major deviations from the Operation's budget must be reviewed and approved by the SVP/COO. Program and project budget modifications must adhere to funding agency requirements and PHI's policies.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

7.4. ANNUAL AUDIT (DECEMBER 2006)

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

7.4.1 Role of the Independent Auditor (DECEMBER 2006)

It is PHI's policy to arrange for an annual audit of PHI's financial statements and an annual compliance audit, including the auditor's opinion thereon, will be submitted and presented to the

BOD by the independent accounting firm, after the financial statements have been reviewed and approved by the Audit Committee.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

7.4.2 Reviewing the Selection of the Auditor (DECEMBER 2006)

PHI shall review the selection of its independent auditor every 5 years or more often as needed.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

7.4.3 Selecting an Auditor (DECEMBER 2006)

The Audit Committee is responsible for selecting an independent auditor.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

7.4.4 Preparation for the Annual Audit (DECEMBER 2006)

PHI shall be actively involved in planning for and assisting with PHI'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 Controller is 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: Organization staff will do as much work as possible in order to assist the auditors and, therefore, reduce the cost of the audit.

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

Throughout the audit process, it shall be the policy of PHI to make every effort to provide schedules, documents and information requested by the auditors in a timely manner.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

7.4.5 Concluding the Audit (DECEMBER 2006)

Upon receipt of a draft of the audited financial statements of PHI from its independent auditor, the COO shall perform a detailed review of the draft.

Any questions or errors noted as part of this review shall be communicated to the independent auditor in a timely manner and resolved to the satisfaction of the COO.

It shall also be the responsibility of the COO to review and respond in writing to all management letter or other internal control and compliance report findings and recommendations made by the independent auditor.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

7.4.6 Audit Committee Responsibilities (DECEMBER 2006)

The Audit Committee of the Board of Directors shall the following responsibilities with respect to the annual independent audit:

- Recommend to the Board of Directors the retention and termination of an independent certified public accountant who shall audit the annual financial statements of the corporation in conformity with generally accepted auditing standards;
- Negotiate the independent auditor's compensation on behalf of the Board of Directors;
- Confer with the independent auditor to satisfy the members of the Audit Committee that the financial affairs of the corporation are in order;
- Review and determine whether to accept the independent audit;
- Assure that any nonaudit services performed by the independent auditor conform with the standards for auditor independence set forth in the latest revision of the Government Accounting Standards, issued by the Comptroller General of the United States (the Yellow Book) and any California Attorney General regulations prescribing standards for auditor independence in the performance of nonaudit services; and
- Approve performance of nonaudit services by the independent auditor.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

7.5. POLICIES ASSOCIATED WITH FINANCIAL AND TAX REPORTING (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

7.5.1 Standard Financial Statements of PHI (DECEMBER 2006)

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 PHI. Financial statements may reflect year-to-year historical comparisons or current year budget to actual comparisons.

The basic financial statements of PHI that are maintained on an organization-wide basis shall include:

- Statement of Financial Position—reflects assets, liabilities and net assets of PHI and classifies assets and liabilities as current or non-current/long-term
- Statement of Activities—presents support, revenues, expenses, and other changes in net assets of PHI, by category of net asset (unrestricted, temporarily restricted and permanently restricted)
- Statement of Functional Revenues & Expenses—presents the revenues and expenses of PHI in a natural, or objective, format and by function (i.e. which program or supporting service was served)]

Responsible Institutional Official: SVP/COO

Information Contact: Controller

7.5.2 Frequency of Preparation (DECEMBER 2006)

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:

A standard set of financial statements described in the preceding section shall be produced on a monthly basis, by the 25th of each month. The standard set of financial statements described in the preceding section shall be supplemented by the following schedules:

- Individual statements of activities on a departmental and functional basis (and/or program/grant basis)
- Comparisons of actual year-to-date revenues and expenses with year-to-date budgeted amounts

The monthly set of financial statements shall include all receivables, accounts payable received by the 2nd Wednesday of the month, and actual depreciation expense.

Responsible Institutional Official: SVP/COO

Information Contact: Controller

7.5.3 Review and Distribution (DECEMBER 2006)

All financial statements and supporting schedules shall be reviewed and approved by the Controller prior to being issued by the Accounting Department.

After approval by the Controller, a complete set of financial statements, including the supplemental schedules described above, shall be distributed to the following individuals:

- Members of the Finance Committee (every 4 months)
- COO (monthly)
- Department Directors and any other employee with budget-monitoring responsibilities (monthly)

Financial statements may include additional supplemental schedules prepared or compiled by the Controller. The purpose of these schedules is to provide known explanations for material budget variances in accordance with PHI's budget monitoring policies described later in this manual (under the "Financial Management Policies" section).

Responsible Institutional Official: SVP/COO

Information Contact: Controller

7.5.4 Annual Financial Statements (DECEMBER 2006)

A formal presentation of PHI's annual financial statements shall be provided by the Independent Auditor to the full BOD. This presentation will be preceded by a meeting with PHI's Audit Committee, at which the Audit Committee will vote to accept or reject the annual financial statements.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

7.6. GOVERNMENT TAX AND INFORMATION RETURNS (DECEMBER 2006)

It is the policy of PHI to become familiar with the obligations in each jurisdiction and to comply with all known filing requirements. The COO shall be responsible for identifying all filing requirements and assuring that PHI is in compliance with all such requirements. The SVP/COO has delegated tax and other return filing responsibilities to the Controller and others in the Operations Department.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

7.6.1 Public Access to Information Returns (DECEMBER 2006)

Under regulations that became effective in 1999, PHI is subject to federal requirements to make the following forms "widely available" to all members of the general public:

- The three most recent annual information returns (Form 990), excluding the list of significant donors (Schedule B) that is attached to the Form 990, but including the accompanying Schedule A, and
- The letter from the IRS granting tax-exempt status to PHI.

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

- Anyone appearing in person at the offices of PHI during normal working hours making a request to inspect the forms will be granted access to a file copy of the forms. The Administrative Coordinator shall be responsible for maintaining this copy of each form and for making it available to all requesters.
- For all written requests for copies of forms received by PHI, PHI shall require pre-payment of all copying and shipping charges. For requests for copies that are received without pre-payment, PHI will notify the requester of this policy via phone call or by letter within 7 days of receipt of the original request.
- The copying cost charged by PHI for providing copies of requested forms shall be \$1.00 for the first page copied and \$0.15 for each subsequent page. All copies shall be shipped to requesters via Priority Mail; shipping charges will be a standard \$3.00 per shipment.
- After payment is received by PHI, 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 Administrative Coordinator.
- For requests for copies made in person during normal business hours, copies shall be provided while the requester waits and are subject to the fee structure noted above.
- PHI shall accept cash, certified checks and money orders for requests for copies made in person. PHI shall accept personal checks, certified checks, money orders and credit cards as payment for copies of forms requested in writing.

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Coordinator to SVP/COO

7.7. UNRELATED BUSINESS ACTIVITIES (DECEMBER 2006)

It is the policy of PHI to properly identify and classify income-producing activities that are unrelated to PHI's tax-exempt purpose using the guidelines described in the Internal Revenue Code and underlying regulations. Such income activities shall be segregated into separate projects in order to facilitate PHI's tracking and accumulation of unrelated trade or business activities.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

CHAPTER 8: ACCOUNTING

8.1. ACCOUNTING DEPARTMENT OVERVIEW (DECEMBER 2006)

Responsible Institutional Official: Controller

Information Contact: Assistant Controller

8.1.1 Organization (DECEMBER 2006)

The accounting department consists of 13 staff who manage and process financial information for PHI.

Responsible Institutional Official: Controller

Information Contact: Controller

8.1.2 Responsibilities (DECEMBER 2006)

The primary responsibilities of the accounting department consist of:

- General Ledger
- Cash Management
- Asset Management
- Purchase Order Processing
- Accounts Receivable, Invoicing, and Revenue Recognition
- Cash Receipts
- Accounts Payable
- Cash Disbursements
- Financial Statement Processing
- External/Internal Reporting of Financial Information
- Bank Reconciliation
- Reconciliation of Sub-Ledgers
- Annual Audit

Responsible Institutional Official: Controller

Information Contact: Controller

8.2. GENERAL LEDGER AND CHART OF ACCOUNTS (DECEMBER 2006)

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

Responsible Institutional Official: Controller

Information Contact: Controller

8.2.1 G/L Chart of Accounts (DECEMBER 2006)

The G/L chart of accounts is the framework for the G/L system, and therefore the basis for PHI's accounting system. The G/L chart of accounts consists of account titles and account numbers assigned to the titles. G/L accounts are used to accumulate transactions and the impact of these transactions on each asset, liability, net asset, revenue, expense and gain and loss account.

PHI's G/L chart of accounts is comprised of six types of accounts:

- Assets
- Liabilities
- Net Assets
- Revenues
- Expenses
- Gains and Losses

Each G/L account number shall be preceded by a four-digit accounting unit number.

Responsible Institutional Official: Controller
Information Contact: Controller

8.2.2 Activities Chart of Account Categories (DECEMBER 2006)

Because PHI is a project-driven organization, PHI has implemented a project and activity-based cost accounting subsidiary (Activities) to accumulate most operating revenues and expenditures. The Activities (A/C) module has a chart of account categories consisting of account category titles and account category numbers assigned to the titles. Account Categories are linked relationally to G/L Account Codes

Responsible Institutional Official: Controller
Information Contact: Controller
Cross-references: <http://phiadmin/index.cfm/site/reference/page/acctcat/>
<http://phiadmin/index.cfm/site/reference/page/fullacct/>

8.2.3 Distribution of Chart of Accounts (DECEMBER 2006)

All PHI employees involved with account category coding responsibilities (assignment or review of coding) or budgetary responsibilities will have access to a current chart of account categories.

Responsible Institutional Official: Controller
Information Contact: Assistant Controller

8.2.4 Control of G/L Chart of Account and the A/C Chart of Account Categories (DECEMBER 2006)

PHI's G/L chart of accounts and its A/C chart of account categories are monitored and controlled by the Controller. Responsibilities include the handling of all account maintenance, such as additions and deletions. Any additions or deletions of accounts should be approved by the Controller, who ensures that the G/L chart of accounts and the A/C chart of account categories are consistent with PHI's structure and meets the needs of all projects and administrative departments.

Responsible Institutional Official: Controller
Information Contact: Controller

8.2.5 G/L Account Definitions (DECEMBER 2006)

Account Range	10000—19999
Category	Assets
Definition	<p>Assets are probable future economic benefits obtained or controlled by PHI as a result of past transactions or events. Assets of PHI are classified as current assets, and long-term assets.</p> <p>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, accounts receivables and prepaid expenses that will be collected within one year of the statement of financial position date.</p> <p>Long term assets include assets acquired without the intention of disposing them in the near future. An example is fixed assets.</p>

Account Range	2000—2999
Category	Liabilities
Definition	<p>Liabilities are probable future sacrifices of economic benefits arising from present obligations of PHI to transfer assets or provide services to other entities in the future as a result of past transactions or events. Liabilities of PHI are classified as current or long-term.</p> <p>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</p>

	<p>include accounts payable, accrued liabilities, and deferred revenue.</p> <p>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 mortgage loan.</p>
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Account Range	40000—49999
Category	Net Assets
Definition	Net Assets is the difference between total assets and total liabilities. See the next section for PHI's policies on classifying net assets.

Account Range	50000—59999
Category	Revenues
Definition	<p>Revenues are inflows or other enhancements of assets, or settlements of liabilities, from delivering or producing goods, rendering services, or other activities that constitute an organization's ongoing major or central operations.</p> <p>Revenues of PHI include contributions received from donors and grants received from government agencies, private foundations and corporations.</p>

Account Range	6000—99999
Category	Expenses
Definition	<p>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 PHI's ongoing major or central operations.</p> <p>Gains or losses occur when PHI sells a fixed asset or writes off as worthless a fixed asset with remaining book value.</p>

Responsible Institutional Official: Controller
Information Contact: Controller

8.2.6 Classification of Net Assets (DECEMBER 2006)

Net assets of PHI 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 PHI and/or the passage of time.
- Permanently Restricted Net Assets: Net assets subject to donor imposed stipulations that PHI permanently maintain certain contributed assets. Generally, donors of such assets permit PHI 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 PHI that are not subject to donor imposed restrictions, but which the BOD of PHI has earmarked for specific uses, shall be segregated in the accounting records as "board-designated" funds within the unrestricted category of net assets.

Responsible Institutional Official: Controller
Information Contact: Controller

8.2.7 Journal Entries (DECEMBER 2006)

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

- Recording of noncash transactions
- Corrections of posting errors
- 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:

- Depreciation of fixed assets
- Amortization of prepaid expenses
- Accruals of recurring expenses
- Amortization of deferred revenue

Support for recurring journal entries shall be in the form of a schedule associated with the underlying asset or liability account or, in the case of short-term recurring journal entries or immaterial items, in the form of a journal voucher.

It is the policy of PHI that all journal entries not originating from subsidiary ledgers shall be authorized in writing by Project Personnel, approved by the Grants & Contracts Specialists (G&C), and audited by the Controller or Assistant Controller by initialing or signing the entries.

Responsible Institutional Official: Controller

Information Contact: Assistant Controller

8.3. POLICIES ASSOCIATED WITH REVENUES AND CASH RECEIPTS (DECEMBER 2006)

Responsible Institutional Official: SVP/COO

Information Contact: Controller

8.3.1. Revenue Recognition Policies (DECEMBER 2006)

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

- Grant income—Monthly accrual based on incurrence of allowable costs (for cost-reimbursement awards) or based on other terms of the award (for fixed price, unit-of-service, and other types of awards)
- Rent income—Monthly accrual, based on the terms of each sublease
- Program income—Deferred as received, then recognized as income as costs are incurred
- Conference and seminar revenue—Deferred as received, then recognized as income as costs are incurred
- Contributions—Recognized as income when received, unless accompanied by restrictions or conditions (see the next section on contribution income)

Immaterial categories of revenue may be recorded on the cash basis of accounting (i.e. recorded as revenue when received) as deemed appropriate by the COO.

Responsible Institutional Official: SVP/COO

Information Contact: Controller

8.3.2. Refunds of Revenue Received (DECEMBER 2006)

The following policies apply to refunds associated with revenue collected by PHI:

Conferences and Seminars:

- For cancellations received by PHI prior to the conference or seminar, a full refund will be provided to the registrant.
- No refunds or credits will be provided for no-shows and cancellation notifications received after the conference or seminar is held.

Publications and Other Products:

Full refunds will be provided upon the return of a publication in undamaged (re-sellable) condition from the customer.

Security Deposits:

Tenant security deposits will be refunded in accordance with the specific terms of each tenant's sublease with PHI.

Responsible Institutional Official: Controller

Information Contact: Controller

8.4. CONTRIBUTIONS RECEIVED (DECEMBER 2006)

Responsible Institutional Official: SVP/COO

Information Contact: Controller

8.4.1. Definitions (DECEMBER 2006)

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

“Contribution”—An unconditional transfer of cash or other assets to PHI, or a settlement or cancellation of PHI'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 PHI 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 PHI, the environment in which it operates, and the purposes specified in PHI's articles of incorporation and bylaws. Restrictions on PHI'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 PHI without directly receiving value from PHI in exchange.

“Promise to Give”— A written or oral agreement to contribute cash or other assets to PHI.

“Exchange Transaction”—A reciprocal transaction in which PHI and another entity each receive and sacrifice something of approximately equal value.

Responsible Institutional Official: Controller

Information Contact: VP of Development & Communications

8.4.2. Distinguishing Contributions from Exchange Transactions (DECEMBER 2006)

PHI receives income in the form of contributions, revenue from exchange transactions, and income from activities with characteristics of both contributions and exchange transactions. PHI 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:

- PHI's intent in soliciting the asset, as stated in the accompanying materials;
- The expressed intent of the entity providing resources to PHI (i.e. does the resource provider state its intent is to support PHI's programs or that it anticipates specified benefits in exchange?);
- Whether the method of delivery of the asset is specified by the resource provider (exchange transaction) or is at the discretion of PHI (contribution);
- Whether payment received by PHI is determined by the resource provider (contribution) or is equal to the value of the assets/services provided by PHI, or the cost of those assets plus a markup (exchange transaction);
- 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
- Whether assets are to be delivered by PHI to individuals or organizations other than the resource provider (contribution) or whether they are delivered directly to the resource provider or to individuals or organizations closely connected to the resource provider.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

8.4.3. Accounting for Contributions (DECEMBER 2006)

PHI shall recognize contribution income in the period in which PHI 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 PHI in the period that PHI receives evidence that a promise to support PHI 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 PHI at the time PHI 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.

When it receives support in the form of volunteer labor, PHI shall record contribution income and assets or expenses if one of the following two criteria is met:

- The contributed service creates or enhances a nonfinancial asset (such as a building or equipment), or
- The contributed service possesses all three of the following characteristics:
 - It is the type of service that would typically need to be purchased by PHI if it had not been contributed
 - It requires specialized skills (i.e. formal training in a trade or profession)
 - 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.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

8.4.4. Receipts and Disclosures (DECEMBER 2006)

PHI 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, PHI shall adhere to the following guidelines with respect to contributions received by PHI.

For any separate contribution received by PHI, it shall provide a receipt to the donor. The receipt shall be prepared by the PHI Operation's Office. All receipts prepared by PHI shall include the following information:

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

When PHI receives cash in excess of \$75, or noncash property with a value in excess of \$75, as part of a quid pro quo transaction, PHI shall follow additional disclosure procedures. For purposes of this paragraph, a "quid pro quo" transaction is one in which PHI receives cash or property in a transaction that is part contribution and part exchange transaction (i.e. the value of the goods or services provided to the donor by PHI is less than the value of cash or property provided by the donor). In such instances, PHI shall provide to the donor a receipt stating that only the amount contributed in excess of the fair market value of the goods or services provided by PHI may be deducted as a charitable contribution. The receipt shall also include a good-faith estimate of the fair market value of the goods or services provided to the donor by PHI.

IRS rules provide for certain exceptions to the preceding disclosure rules applicable to quid pro quo transactions. As such, PHI shall not provide receipts when it receives cash or property in excess of \$75 in any of the following circumstances:

- The goods provided to the donor during the year bear PHI's name or logo and have an aggregate cost of \$7.60 or less;
- The goods provided to the donor during the year have a fair market value equal to no more than 2% of the contribution or \$76, whichever is less; or
- The gift received by PHI resulted from PHI's annual fundraising appeal that included articles worth no more than \$7.60, as well as a request for contributions and a statement that the recipient may keep the article even if a contribution is not made.

The preceding thresholds are adjusted for inflation by the IRS on an annual basis. Inflation adjustments subsequent to 2001 are incorporated into this policy manual by reference.

All estimates of the fair market value of goods or services provided by PHI shall be prepared by the Operation's Department.

It is the policy of PHI 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.

Responsible Institutional Official: SVP/COO
Information Contact: SVP/COO

8.5. BILLING/INVOICING POLICIES (DECEMBER 2006)

Responsible Institutional Official: Controller
Information Contact: Financial Compliance Analyst

8.5.1. Overview (DECEMBER 2006)

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

Monthly Billings

- Grants and contracts (See separate section on "Policies Associated with Federal Awards" for billing policies associated with federal grant agreements)
- Subleases

Daily ("as needed") Billing

- Publication and product orders
- Conferences and seminars

Responsible Institutional Official: Controller

Information Contact: Financial Compliance Analyst

8.5.2. Responsibilities for Billing and Collection (DECEMBER 2006)

PHI's Accounting Department is responsible for the invoicing of goods and services as well as the collection of outstanding receivables. (Note: Cash receipts, credit memo, and collection policies will be discussed in subsequent sections). Certain programs, because of the nature of their project, may be responsible for the invoicing of their goods and/or services as well as the collection of outstanding receivables.

Responsible Institutional Official: Controller

Information Contact: Financial Compliance Analyst

8.5.3. Accounts Receivable Entry Policies (DECEMBER 2006)

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

Responsible Institutional Official: Controller

Information Contact: Financial Compliance Analyst

8.5.4. Classification of Income and Net Assets (DECEMBER 2006)

Most funds received by PHI is classified as "restricted", which include the following:

- Grants and other awards received from government agencies or other grantors
- Special endowments received from donors requesting that these funds be permanently restricted for specific purposes

From time to time, PHI may raise other forms of contribution income which do not carry stipulations that PHI utilize the funds for a specific purpose or within a specified time period. When this form of contribution income is received, PHI shall classify this income as unrestricted income.

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), PHI will classify the related net assets to "Unrestricted" in its Statement of Financial Position and reflect this classification as an activity in its Statement of Activities.

From time to time, PHI's BOD 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 PHI, and shall be reported as a separate component of unrestricted net assets on PHI financial statements.

Responsible Institutional Official: BOD
Information Contact: Controller

8.6. CASH RECEIPTS (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.6.1. Overview (DECEMBER 2006)

Cash (including checks payable to PHI) is the most liquid asset an organization has. Therefore, it is the objective of PHI to establish and follow the strongest possible internal controls in this area.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.6.2. Processing of Checks and Cash Received in the Mail (DECEMBER 2006)

For funds that are received directly at PHI (i.e. payments not mailed to a project location), cash receipts are centralized to ensure that cash received is appropriately directed, recorded and deposited on a timely basis.

Mail is opened and a listing of cash/checks received shall be prepared in an open area and in the presence of other employees. The individual preparing the daily list of receipts shall be someone that is not involved in the accounts receivable or accounts payable process.

A deposit slip is prepared from the cash/checks received and compared to the daily receipts listing for discrepancies. Deposits are prepared and taken to the bank by an individual other than the employee who prepared the daily cash receipts listing.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.6.3. Endorsement of Checks (DECEMBER 2006)

It is the policy of PHI that all checks received that are payable to PHI 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:

For Deposit Only
PUBLIC HEALTH INSTITUTE
The bank name
The bank account number of PHI

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.6.4. Timeliness of Bank Deposits (DECEMBER 2006)

It is the policy of PHI that bank deposits will be made on a daily basis. All receipts should be submitted to Headquarters.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.6.5. Reconciliation of Deposits (DECEMBER 2006)

On a monthly basis, the Controller or Assistant Controller, who do not prepare the initial cash receipts listings or bank deposits, shall approve the reconciliations of the monthly bank statements. Any discrepancies shall be immediately investigated.

It is PHI's policy to inform customers/funding agencies that checks should be made payable to PHI and should be mailed directly to PHI's Administrative Offices. As such, all invoices prepared by PHI Admin will include a reference to the Administrative Offices, to which payments should be sent.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.6.6. Processing of Credit Card Payments (DECEMBER 2006)

PHI accepts Mastercard, Visa and American Express credit cards for payment, all of which are authorized through the participating credit card company. This is done by following the credit card authorization instructions from the participating credit card company.

For all credit card payments, PHI will document the following information:

- | | |
|---|---------------------------------|
| • Transaction Date | • Cardholder Name |
| • Card Type (V,M,Amex) | • Sales Amount |
| • Event or Item Purchased | • PHI Activity Code |
| • Purchaser/Attendant Name
(if diff from cardholder) | • Union Bank Authorization Code |

All credit card processing shall be performed by individual(s) designated by the COO. These individual(s) shall be independent of the accounts receivable function. This information goes to Finance for recording.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.6.7. On-Site Collections at Conferences and Seminars (DECEMBER 2006)

Cash, checks made payable to PHI and credit card payments may be accepted at conferences and seminars for payment of registration fees. The following policies apply to the processing of on-site payments:

- Cashier duties are segregated from the processing of registrations
- A special, multi-part, on-site registration form is utilized; these forms shall be pre-numbered and accounted for
- One part of the registration form is returned to the registrant as a receipt for payment
- At the end of each day, a reconciliation of collections to the registration database and pre-numbered receipts shall be performed
- All documentation associated with these transactions is brought back and turned in to the accounting department immediately following the conference or seminar. This documentation will include the actual checks collected, and any credit card charge slips. Thereafter, deposits are processed as described earlier in this section.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.7. ACCOUNTS RECEIVABLE MANAGEMENT (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.7.1. Monitoring and Reconciliations (DECEMBER 2006)

On a monthly basis, a detailed accounts receivable report (showing aged, outstanding invoices by customer) is generated and reconciled to the general ledger by the accounting department. All differences are immediately investigated and resolved, and the reconciliation is reviewed by the Controller.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.7.2. Collections (DECEMBER 2006)

Collections are performed on a monthly basis, according to a review of the outstanding items shown 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, 90, and 120 days.

After a customer invoice balance is unpaid for 60 days, an accounting department employee will contact the customer and attempt to collect the amount due. A record will be kept of all contacts.

If 90 days have elapsed without payment, a letter will be sent to the customer requesting payment or documentation that payment has already been made. In addition, weekly telephone calls will be placed in an attempt to collect the amount due.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.7.3. Credits and Other Adjustments to Accounts Receivable (DECEMBER 2006)

From time to time, credits against accounts receivable from transactions other than payments and bad debts will occur. All credits shall be processed by an employee who is independent of the cash receipts function. In addition, all credits shall be authorized by the Controller.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.7.4. Accounts Receivable Write-Off Authorization Procedures (DECEMBER 2006)

It is the policy of PHI to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. Write-offs are initiated by the Controller. If an account receivable is deemed uncollectible, the approval of the COO is required before the write-off is processed.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.7.5. Reserve for Uncollectible Accounts (DECEMBER 2006)

It is the policy of PHI to maintain a reserve for uncollectible accounts receivable. At the end of each fiscal year, the allowance for doubtful accounts is adjusted based on the following factors:

- An analysis of outstanding, aged accounts receivable
- Historical collection and bad debt experience
- Evaluations of specific accounts based on discussions with Management of PHI

Year-end adjustments to the reserve for uncollectible accounts shall be performed only with authorization from the COO.

This reserve account is used in the following year to write off those items that are deemed uncollectible from the prior year after further collection efforts have been abandoned, as described earlier.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.8. ACCOUNTS PAYABLE MANAGEMENT (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.8.1. Overview (DECEMBER 2006)

PHI 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.

It is the policy of PHI that the recording of assets or expenses and the related liability is performed by an employee independent of ordering and receiving. The amounts recorded are based on 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 a PD and a Grants & Contracts Specialist prior to being processed for payment. Invoices and related general ledger and activities 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:

- Disbursements are properly authorized
- Invoices are processed in a timely manner
- Vendor credit terms and operating cash are managed for maximum benefits

Responsible Institutional Official: Controller
Information Contact: Accounts Payable Supervisor

8.8.2. Recording of Accounts Payable (DECEMBER 2006)

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 on a daily basis. Information is entered into the system from approved invoices or disbursement vouchers with appropriate documentation attached.

It is the policy of PHI 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.

Responsible Institutional Official: Controller
Information Contact: Accounts Payable Supervisor

8.8.3. Accounts Payable Cut-Off (DECEMBER 2006)

For purposes of the preparation of PHI's monthly financial statements, all vendor invoices that are received, approved and supported with proper documentation by the second Wednesday of the following month 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.

Responsible Institutional Official: Controller

Information Contact: Accounts Payable Supervisor

8.8.4. Establishment of Control Devices (DECEMBER 2006)

Control of invoices is established by the Accounts Payable Accounting Assistant II as soon as invoices are received. Vendors will be instructed to mail all invoices directly to the accounts payable department.

Upon receipt of invoices, each invoice shall be "date received" stamped and distributed to the appropriate personnel for processing.

Responsible Institutional Official: Controller

Information Contact: Accounts Payable Supervisor

8.8.5. Preparation of a Voucher Package (DECEMBER 2006)

Prior to any account payable being submitted for payment, a package called a "voucher package" shall be assembled. Each voucher package shall contain the following documents:

- Vendor invoice (or employee expense report)
- Packing slip (where appropriate)
- Receiving report (or other indication of receipt of merchandise and authorization of acceptance)
- Purchase order (where appropriate)
- Any other supporting documentation deemed appropriate

Responsible Institutional Official: Controller

Information Contact: Accounts Payable Supervisor

8.8.6. Processing of Voucher Packages (DECEMBER 2006)

The following procedures shall be applied to each voucher package:

- Check the mathematical accuracy of the vendor invoice
- Compare the nature, quantity and prices of all items ordered per the vendor invoice to the purchase order, packing slip and receiving report
- Document the Activity distribution, using PHI's current chart of account categories

- Obtain the review and approval of the PD (or their designee) and the authorization by the G & C Specialist associated with the goods or services purchased

Approvals by department directors and G & C Specialists indicate their acknowledgement of satisfactory receipt of the goods or services invoiced, agreement with all terms appearing on the vendor invoice, allowability under the funding agency criteria, agreement with A/C coding, and agreement to pay vendor in full. Approvals shall be documented with initials or signatures of the approving individuals.

Responsible Institutional Official: Controller
Information Contact: Accounts Payable Supervisor

8.8.7. Reconciliation of A/P Subsidiary Ledger to General Ledger (DECEMBER 2006)

At the end of each monthly accounting period, the total amount due to vendors per the accounts payable subsidiary ledger shall be reconciled to the total per the accounts payable general ledger account (control account). All differences will be investigated and adjustments will be made as necessary. The reconciliation and the results of the investigation of differences will be reviewed and approved by the Controller.

Also on a monthly basis, the A/P and G&C staffs shall perform the following procedures:

- Check all statements received for unprocessed invoices
- Check the Purchase Order file for open Purchase Orders at the end of an Activity and follow up

Responsible Institutional Official: Controller
Information Contact: Accounts Payable Supervisor

8.8.8. Employee Expense Reports (DECEMBER 2006)

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 (see further policies under "Travel"). All receipts must be attached, and a brief description of the business purpose of trip or meeting must be noted on the form. Expense reports will be processed for payment in the next vendor payment cycle if received within two business days of the deadline.

Responsible Institutional Official: Controller
Information Contact: Controller

8.9. TRAVEL (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.9.1. Travel Advances (DECEMBER 2006)

Funds will be advanced for upcoming travel only upon receipt of a completed and properly approved request for travel advance. Travel advances are generally limited to 75 % of the anticipated travel expenses unless there is an extraordinary need for additional funds. Travel advances are to be used only for the purpose intended. Travel expenses are to be made in accordance with PHI's travel policies as explained later in this section. Travel advances may be requested up to 30 days prior to the planned trip, but must be submitted a minimum of 10 days prior to the trip.

Employees receiving travel advances are required to sign for the advance signifying their acknowledgement of, and agreement to, these policies. Employees receiving travel advances must submit an expense report within 30 days of returning from travel. Any outstanding advances more than 60 days old from issuance date may be deducted from an employee's next paycheck.

No further travel advances will be issued to any employee who has an outstanding balance due to PHI from previous business trips.

Responsible Institutional Official: Controller
Information Contact: Accounts Payable Supervisor

8.9.2. Employee Business Travel (DECEMBER 2006)

At the conclusion of a PHI business trip, individuals that have incurred business-related expenses should complete an Expense Report in accordance with the following policies:

- Identify each separately incurred business expense (i.e. do not group all expenses associated with one trip together as a single amount)
- With the exception of tips, tolls, per diem costs, and reimbursed mileage, all business expenses must be supported with invoices/receipts.
- For all lodging and any expenditure other than meals, vendor receipts/invoices must be submitted. Credit card charge slips do not represent adequate supporting documentation—a hotel receipt must be obtained to substantiate all lodging expenditures.
- For airfare, airline-issued receipts should be obtained. If a traveler fails to obtain a receipt, other evidence must be submitted indicating that a trip was taken and the amount paid (for example, a combination of an itinerary, a credit card receipt, and boarding passes).
- Mileage may be reimbursed at the standard federal rates currently in effect, as published each year by the IRS or the applicable State of California rate if the project is funded by the State.
- The business purpose of each trip must be adequately explained on each report as well as the date and time of the trip indicated for each travel day.
- Project Activity codes must be identified for all expenditures.
- All meals for other individual(s) for business purposes must be clearly identified with names, titles, organizations, and business relationships of all persons
- The business purpose of the meal or other business event (topics discussed, etc.)

- All expense reports must be signed and dated by the employee, authorized by the employee's supervisor and approved by the G & C Specialist.
- Only one expense report form should be prepared for each trip.

An employee will not be reimbursed for expense reports not meeting the preceding criteria. If the Expense Report results in a balance due to PHI (as a result of receiving a travel advance greater than actual business expenditures), the employee must attach a check to settle the balance due.

No further travel advances will be issued to any employee who has an outstanding balance due to PHI from previous business trips.

Responsible Institutional Official: Controller
Information Contact: Accounts Payable Supervisor

8.9.3. Reasonableness of Travel Costs (DECEMBER 2006)

PHI shall reimburse travelers only for those business-related costs that are reasonably incurred. Accordingly, the following guidelines shall apply:

- Suites and other upgraded rooms at hotels shall not be allowed; travelers should stay in standard rooms
- When utilizing rental cars, travelers should rent midsize or smaller vehicles; share rental cars whenever possible
- Business-related long-distance telephone calls while away on business travel are permitted, but should be kept to a minimum; expense reports should explain long-distance charges
- Personal long-distance calls while away on business are reimbursable if kept to a minimum, such as one nightly call home to family; personal calls in excess of this shall not be reimbursed
- Whenever possible, travelers should utilize long-distance calling cards when placing calls while away on travel; avoid using the hotel's long-distance service if possible
- All invoices with complete documentation (including necessary approvals) which are received by Accounting by the end of business on Friday will be paid the following Friday.
- Payment documents must be reviewed and approved by G&C staff. To complete this process and be forwarded to Accounting before its Friday deadline, documents must be received in G&C before the close of business on Thursday.
- Reimbursement for travel meals will be at the applicable per diem rates without a receipt PHI will reimburse for reasonable meal cost with a receipt and the supervisor's approval

Responsible Institutional Official: Controller
Information Contact: Accounts Payable Supervisor

8.9.4. Special Rules Pertaining to Air Travel (DECEMBER 2006)

The following additional rules apply to air travel:

- Air travel should be at coach class; first class air travel shall not be reimbursed unless there is a documented medical reason
- Memberships in airline flight clubs is not reimbursable
- Cost of flight insurance is not reimbursable
- Cost of upgrade certificates is not reimbursable
- Cost of canceling and rebooking flights is not reimbursable, unless it can be shown that it was necessary or required for legitimate business reasons (such as changed meeting dates, etc.)
- Travelers must identify and pay for all personal flights, even if such flights are incorporated into a flight schedule that serves business purposes (i.e. PHI will not reimburse for the personal legs of a trip)

Responsible Institutional Official: Controller

Information Contact: Accounts Payable Supervisor

8.9.5. Spouse/Partner Travel (DECEMBER 2006)

It is the policy of PHI not to reimburse any employee or board member for separate travel costs (air fare, etc.) associated with his/her spouse or partner. The cost of a shared hotel room need not be allocated between employee/director and spouse/partner for purposes of this policy.

Responsible Institutional Official: SVP/COO

Information Contact: Controller

8.10. CASH DISBURSEMENTS (CHECK-WRITING) POLICIES (DECEMBER 2006)

Responsible Institutional Official: SVP/COO

Information Contact: Controller

8.10.1. Check Preparation (DECEMBER 2006)

It is the policy of PHI to print vendor checks and expense reimbursement checks on a weekly basis. Checks shall be prepared by persons independent of those who initiate or approve expenditures, as well as those who are authorized check signers.

All vendor and expense reimbursement checks shall be produced in accordance with the following guidelines:

- Expenditures must be supported in conformity with the purchasing, accounts payable, and travel and business entertainment policies described in this manual
- Generally, all vendors shall be paid within 30 days of submitting a proper invoice upon delivery of the requested goods or services

- Total cash requirements associated with each check run is monitored in conjunction with available cash balance in bank prior to the release of any checks
- All supporting documentation is attached to the corresponding check prior to forwarding the entire package to an authorized check signer, for checks in excess of \$25,000. Checks of \$25,000 or under are electronically signed.
- Checks shall be numerically accounted for each week; check stock shall be stored in a locked file cabinet in the accounting department.
- Checks shall never be made payable to “bearer” or “cash”.
- Checks shall never be signed prior to being prepared.
- Upon the preparation of a check, vendor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse.

Responsible Institutional Official: Controller
Information Contact: Controller

8.10.2. Check Signing (DECEMBER 2006)

Checks of \$25,000 or less require a single, electronic signature. Checks of more than \$25,000 require two, manual signatures. No checks shall be signed prior to the check being completed in its entirety (no signing of blank checks).

It is the policy of PHI that each manually signed check shall be signed by an individual other than the one who approved the transaction for payment.

Check signers should examine all original supporting documentation to ensure that each item has been properly checked prior to signing a check. Checks should not be signed if supporting documentation appears to be missing or there are any questions about a disbursement.

Responsible Institutional Official: Controller
Information Contact: Controller

8.10.3. Mailing of Checks (DECEMBER 2006)

After signature, checks are mailed to the payee immediately after the bank confirms the check issue file.

Responsible Institutional Official: Controller
Information Contact: Controller

8.10.4. Voided Checks and Stop Payments (DECEMBER 2006)

Checks may be voided due to processing errors by making proper notations in the Lawson CashBook and defacing the check by clearly marking it as “VOID”. All voided checks shall be retained by the general accounting section to aid in preparation of bank reconciliations.

Stop payment orders may be made for checks lost in the mail or other valid reasons. Stop payments are processed by internet access with the bank by accounting personnel with authority.

Responsible Institutional Official: Controller

Information Contact: Controller

8.10.5. Record-Keeping Associated with Independent Contractors (DECEMBER 2006)

PHI shall obtain a completed Form W-9 or equivalent substitute documentation from all independent contractors/outside service vendors to whom payments are made. A vendor master file record shall be maintained of all vendors to whom a Form 1099 is required to be issued at year-end. Payments to such vendors shall be accumulated over the course of a calendar year.

Responsible Institutional Official: Controller

Information Contact: Controller

8.10.6. Payroll Taxes (DECEMBER 2006)

The Payroll Department is responsible for ensuring all required tax forms are properly completed and submitted, and that all required taxes are withheld and paid. The Payroll Department may utilize the services of an outside payroll service center for the processing of payroll, as determined by the COO. Withholding of federal income taxes shall be based on the most current Form W-4 prepared by each employee.

Responsible Institutional Official: Controller

Information Contact: Controller

8.10.7. Preparation of Timesheets (DECEMBER 2006)

Each PHI employee must submit to the Payroll Department a signed and approved timesheet no later than 10:00 a.m. on the Friday following the close of each pay period. Timesheets shall be prepared in accordance with the following guidelines:

- Each timesheet shall reflect all hours worked during the pay period (time actually spent on the job performing assigned duties), whether compensated or not
- Timesheets shall be prepared in ink
- Errors shall be corrected by crossing through the incorrect entry, filling in the correct entry, and placing the employee's initials next to the change (i.e. employees shall not use "white out" or correction tape)
- Employees shall identify and record hours worked based on the nature of the work performed;
- Compensated absences (vacation, holiday, sick leave, etc.) should be clearly identified as such;
- Timesheets shall be signed by the employee prior to submission.

- Timesheets shall be approved by the employee's supervisor or their designee prior to submission to the payroll department

Corrections identified by an employee's supervisor shall be authorized by the employee and PI/PD by placing the employee's and PI/PD's initials next to the change.

Responsible Institutional Official: Controller

Information Contact: Controller

8.10.8. Processing of Timesheets (DECEMBER 2006)

Processing of timesheets in the payroll department is performed by the [Payroll Clerk]. The [Payroll Clerk] checks all timesheets for mathematical accuracy, then inputs all timesheets into the payroll system.

Tampering with, altering, or falsifying time records, recording time on another employee's time record, or willfully violating any other timesheet policy or procedure may result in disciplinary action, up to and including termination of employment.

Responsible Institutional Official: HR

Information Contact: HR

8.11. CASH AND CASH MANAGEMENT (DECEMBER 2006)

Responsible Institutional Official: SVP/COO

Information Contact: Controller

8.11.1. Cash Accounts (DECEMBER 2006)

General Checking Account (operating account): The primary operating account provides for routine business check disbursements. All checks, cash and credit card deposits, received at the PHI office or through one of the PHI project offices, are made to this account.

Excess funds in this account can be transferred into short-term investments or higher interest-bearing cash equivalents.

Payroll Account: The payroll account is separate from the operating account. The payroll account is a zero-balance account (ZBA). As such, only the amount needed to cover each payroll is transferred into this account from the operating account, based on the amount calculated by the outside payroll service provider. Transfers from the operating account into the payroll account are authorized by the Controller. Authorized signers on the payroll account will be the same as those on the operating account.

Responsible Institutional Official: Controller

Information Contact: Controller

8.11.2. Bank Reconciliations (DECEMBER 2006)

Bank account statements are received via the internet or via U.S. mail each month by the Financial Analyst. This individual shall analyze the statement and review its contents for unusual or unexplained items. Unusual or unexplained items shall be reported immediately to the Controller or Assistant Controller.

A monthly reconciliation between the bank balance and general ledger balance is prepared by the Financial Analyst, who is not an authorized check signer. It is the policy of PHI to complete the bank reconciliation process within three weeks of the receipt of each bank statement.

All bank reconciliations, including any adjusting journal entries resulting from preparing bank reconciliations, are reviewed by the Controller or Assistant Controller on a monthly basis.

Bank reconciliations and copies of resulting journal entries are filed in the current year's accounting files.

Responsible Institutional Official: Controller
Information Contact: Controller

8.11.3. Cash Flow Management (DECEMBER 2006)

The Controller monitors cash flow needs on a daily/weekly 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.

Responsible Institutional Official: Controller
Information Contact: Controller

8.11.4. Stale Checks (DECEMBER 2006)

It is the policy of PHI to write off A/P checks of \$50 or less that are more than 6 months old that have not cleared PHI's bank. For uncashed checks that are more than 6 months old and that exceed \$50, contact will be made with the payee to resolve the issue.

All stale checks that are written off within the same fiscal year as they were written shall be credited to the same project and expense or asset account that was debited when the check was written, or the expenditure incurred. For stale checks written off in fiscal years subsequent to the year in which the check was written, the credit shall be to current year's project and expense code.

PHI will continue to pursue resolution for checks over \$50 until the cash value is eligible for escheatment according to the laws of the State of California.

Responsible Institutional Official: Controller
Information Contact: Controller

8.11.5. Petty Cash (DECEMBER 2006)

It is the policy of PHI to provide for imprest funds (used for payment of minor office expenditures, not for travel or employee advances) only for valid transactions and to periodically replenish these funds up to the maximum authorized up to balance of \$400; the authorized balance is based on the frequency with which there is a need for the petty cash fund to be replenished, aiming for replenishment approximately monthly. It is the responsibility of the petty cash custodians to ensure that the petty cash fund is locked at all times.

All disbursements from the petty cash funds must be accompanied by a completed and approved petty cash voucher. Receipts are required for all disbursements from petty cash. The maximum per petty cash request is \$50.

The petty cash custodians shall prepare a reconciliation of the petty cash account on a periodic (monthly) basis. Petty cash reconciliations are subject to review by the accounting department.

Upon termination of employment, the petty cash custodian shall prepare a reconciliation and return any unused cash to PHI. A new custodian will be issued a new petty cash fund. Petty cash funds must be closed and re-issued out whenever the associated activity is over.

Responsible Institutional Official: Controller

Information Contact: Controller

8.11.6. Wire Transfers (DECEMBER 2006)

The Assistant Controller and the Administrative Coordinator shall be the only PHI employees authorized to approve wire transfers from PHI bank accounts. To prevent anyone other than the Assistant Controller and the Administrative Coordinator from transacting wire transfers, a system shall be employed that requires the use of pass codes issued by the bank.

Confirmations of all wire transfers are delivered to the Financial Analyst.

Responsible Institutional Official: Controller

Information Contact: Controller

8.12. INVENTORY (DECEMBER 2006)

Responsible Institutional Official: SVP/COO

Information Contact: Controller

8.12.1. Description of Inventory (DECEMBER 2006)

PHI does not maintain an inventory of goods for resale.

Responsible Institutional Official: Controller

Information Contact: Controller

8.13. PREPAID EXPENSES (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.13.1. Accounting Treatment (DECEMBER 2006)

It is the policy of PHI to treat payments of expenses that have a time-sensitive future benefit as prepaid expenses and to amortize these items over the corresponding time period. For purposes of this policy, payments of less than \$500 shall be expensed as paid and not treated as prepaid expenses, regardless of the existence of a future benefit.

Prepaid expenses with future benefits that expire within one year from the date of the financial statements shall be classified as current assets. Prepaid expenses that benefit future periods beyond one year from the financial statement date shall be classified as non-current assets.

Responsible Institutional Official: Controller
Information Contact: Controller

8.13.2. Procedures (DECEMBER 2006)

As part of the account coding process performed during the auditing and processing of accounts payable, all incoming vendor invoices shall be reviewed for the existence of time-sensitive future benefits. If future benefits are identified, the payment shall be coded to a prepaid expense account code.

The accounting department shall maintain schedules of all prepaid expenses. The schedules shall indicate the amount and date paid, the period covered by the prepayment, the purpose of the prepayment, and the monthly amortization, if any. These schedules shall be reconciled to the general ledger balance as part of the monthly closeout process.

Responsible Institutional Official: Controller
Information Contact: Controller

8.14. INVESTMENT POLICIES (DECEMBER 2006)

In investing assets held by PHI for investment, the following standard shall apply: avoid speculation, looking instead to the permanent disposition of the funds, considering the probable income, as well as the probable safety of the corporation's capital.

The Executive/Finance Committee of the Board of Directors will establish specific investment policies.

Responsible Institutional Official: BOD
Information Contact: SVP/COO

8.15. FIXED ASSET MANAGEMENT (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.15.1. Capitalization Policy (DECEMBER 2006)

Physical assets acquired by PHI Headquarters with unit costs in excess of \$5,000, and a useful life of more than one year, are capitalized as fixed assets on the financial statements. Items with unit costs below this threshold shall be expensed in the year purchased. Physical assets acquired by programs and projects shall be expensed in the year purchased.

Capitalized fixed assets are accounted for at their historical cost and all such assets are subject to depreciation over their estimated useful lives, as described later.

Responsible Institutional Official: Controller
Information Contact: Controller

8.15.2. Contributed Assets (DECEMBER 2006)

Assets with fair market values in excess of \$5,000 (per unit) that are contributed to PHI Administration 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.

Responsible Institutional Official: Controller
Information Contact: Controller

8.15.3. Establishment and Maintenance of a Fixed Asset Listing (DECEMBER 2006)

All capitalized fixed assets shall be recorded in a property log. This log shall include the following information with respect to each asset:

- Date of acquisition
- Cost
- Description (including color, model, and serial number)
- Location of asset
- Depreciation method
- Estimated useful life

A physical inventory of all assets capitalized under the preceding policies will be taken on an bi-annual basis by PHI. This physical inventory shall be reconciled to the property log and

adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the COO.

Responsible Institutional Official: Controller
Information Contact: Controller

8.15.4. Expensed Items at Projects and Highly Pilferable Items (DECEMBER 2006)

Management is responsible for developing policies to account for highly-pilferable items and expensed items at projects with a unit cost in excess of \$5,000, and a useful life of more than one year, or other controlled items (as defined by sponsors or PHI policy).

Responsible Institutional Official: Controller
Information Contact: Controller

8.15.5. Depreciation and Useful Lives (DECEMBER 2006)

All capitalized assets are maintained in the special fixed assets account group and are not to be included as an operating expense. Fixed assets are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month.

Estimated useful lives of capitalized assets shall be determined by the Accounting Department. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

- | | |
|-------------------------------------|----------------------|
| • Furniture, and fixtures | Up to 10 yrs |
| • General office equipment | 5 yrs |
| • Computer hardware and peripherals | 3-5 yrs |
| • Computer software | 2-3 yrs |
| • Leased assets | life of lease |
| • Leasehold Improvements | remaining lease term |

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly basis.

Responsible Institutional Official: Controller
Information Contact: Controller

8.15.6. Repairs of Fixed Assets (DECEMBER 2006)

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.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining estimated useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Responsible Institutional Official: Controller
Information Contact: Controller

8.15.7. Dispositions of Fixed Assets (DECEMBER 2006)

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. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss if the money received is less than the book value and a gain if the money received is more than the book value.

Responsible Institutional Official: Controller
Information Contact: Controller

8.15.8. Write-Offs of Fixed Assets (DECEMBER 2006)

The COO 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 Controller. If not located, this property will be written off the books with the proper notation specifying the reason.

Responsible Institutional Official: Controller
Information Contact: Controller

8.16. LEASES (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.16.1. Classification of Leases (DECEMBER 2006)

It is the policy of PHI to classify all leases in which PHI is a lessee as either capital or operating leases. PHI shall utilize the criteria described in Statement of Financial Accounting Standards No. 13 in determining whether a lease is capital or operating in nature. Under those criteria, a

lease shall be treated as a capital lease if, at the time of entering into the lease, any of the following factors are present:

- Meets the definition of a capital asset as described above;
- The lease transfers ownership to PHI at the end of the lease term;
- The lease contains a bargain purchase option;
- The lease term is equal to 75% or more of the estimated economic life of the leased property; or
- The present value of the minimum lease payments is 90% or more of the fair value of the leased property (using, as the interest rate, the lesser of PHI's incremental borrowing rate or, if known, the lessor's implicit rate).

All leases that do not possess any of the four preceding characteristics shall be treated as operating leases. In addition, all leases that are immaterial in nature shall be accounted for as operating leases.

Responsible Institutional Official: Controller
Information Contact: Controller

8.16.2. Accounting for Leases (DECEMBER 2006)

All leases that are classified as operating leases and immaterial capital leases shall be accounted for as expenses in the period in which the obligation to make a lease payment is incurred. For leases with firm commitments for lease payments that vary over the term of the lease (i.e. a lease with fixed annual increases that are determinable upon signing the lease), the amount that PHI shall recognize as monthly lease expense shall equal the average monthly lease payment over the entire term of the lease. Differences between the average monthly payment and the actual monthly payment shall be accounted for as an asset or liability of PHI.

All leases that are classified as capital leases shall be treated as fixed asset additions of PHI. As such, upon the inception of a capital lease, PHI shall record a fixed asset and a liability under the lease, based on the net present value of the minimum lease payments (or the fair value of the leased asset, if it is less than the present value of the lease payments). Periodic lease payments shall be allocated between a reduction in the lease obligation and interest expense. The fixed asset recorded under a capital lease shall be depreciated over the term of the lease, using the straight-line method of depreciation.

PHI shall also maintain a control list of all operating and capital leases. This list shall include all relevant lease terms.

Responsible Institutional Official: Controller
Information Contact: Controller

8.17. ACCRUED LIABILITIES (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.17.1. Identification of Liabilities (DECEMBER 2006)

The accounting department shall establish a list of commonly incurred expenses that may have to be accrued at the end of an accounting period. Some of the expenses that may be accrued by PHI at the end of an accounting period are:

- Salaries and wages
- Payroll taxes
- Vacation pay
- Rent
- Consultant agreements
- Subcontract and grant agreements

In addition, PHI shall record a liability for deferred revenue (revenue received but not yet earned) in accordance with the revenue recognition policies described elsewhere in this manual. Adjustments to deferred revenue accounts shall be made monthly.

Responsible Institutional Official: Controller
Information Contact: Controller

8.17.2. Accrued Leave (DECEMBER 2006)

Personnel policies of PHI permit employees to carry forward up to 320 hours of vacation and up to 480 hours of unused sick leave. Unused vacation leave is payable to an employee upon termination of employment.

Accordingly, it shall be the policy of PHI to record a liability for accrued vacation leave to which employees are entitled. The total liability at the end of an accounting period shall equal the total earned but unused hours of leave, up to a maximum of 320 hours, multiplied by each employee's current hourly pay rate.

Leave that does not "vest" with employees (i.e. leave that is not paid to employees if unused at the time of termination of employment), such as sick leave, shall not be accrued as a liability of PHI.

Responsible Institutional Official: Controller
Information Contact: Controller

8.18. NOTES PAYABLE (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.18.1. Record-Keeping (DECEMBER 2006)

It is the policy of PHI to maintain a schedule of all notes payable, mortgage obligations, lines of credit, and other financing arrangements, if any.

Responsible Institutional Official: Controller
Information Contact: Controller

8.18.2. Accounting and Classification (DECEMBER 2006)

An amortization schedule shall be maintained for each note payable, if any. Based upon the amortization schedule, the principal portion of payments due within the next year shall be classified as a current liability in the statement of financial position of PHI. The principal portion of payments due beyond one year shall be classified as long-term/non-current liabilities in the statement of financial position.

Unpaid interest expense shall be accrued as a liability at the end of each accounting period.

A detailed record of all principal and interest payments made over the entire term shall be maintained with respect to each note payable. Periodically, the amounts reflected as current and long-term notes payable per the general ledger shall be reconciled to these payment schedules and the amortization schedules, if any, provided by the lender. All differences shall be investigated.

Responsible Institutional Official: Controller
Information Contact: Controller

8.18.3. Non-Interest-Bearing Notes Payable (DECEMBER 2006)

As a charitable organization, PHI may receive notes payable that do not require the payment of interest, or that require the payment of a below-market rate of interest for the type of obligation involved. In such cases, it shall be the policy of PHI to record contribution income for any unpaid interest.

For loans with fixed maturities or payment dates, the note payable shall be recorded at the present value of the future principal payments, using as a discount rate the difference between a normal interest rate for that type of loan and the rate, if any, required to be paid by PHI. The difference between the cash proceeds of the note and the present value shall be recorded as contribution income in the period the loan is made. Thereafter, interest expense shall be recorded in each accounting period using the effective interest method, with the corresponding credit entry increasing the note payable account to reflect the amount(s) that shall be repaid.

Responsible Institutional Official: Controller
Information Contact: Controller

8.19. FUNCTIONAL EXPENSE ALLOCATIONS (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.19.1. Overview (DECEMBER 2006)

As one of its financial management objectives, PHI strives to determine the actual costs of carrying out each of its programs and administrative activities. In this regard, it is PHI's policy to charge expenses to the appropriate account category of the various programs or administrative activities.

Responsible Institutional Official: Controller
Information Contact: Controller

8.19.2. Direct Charging of Costs (DECEMBER 2006)

Certain internal costs shall be directly charged to the appropriate PHI function based upon underlying documentation. The following costs shall be directly charged based on the documentation or factor listed next to each:

Cost	Basis For Charge
Salaries	Timesheets (hours) or number of employees in a function
Occupancy (facilities) costs	Actual square footage used by each function
Long-Distance Telephone	Actual use, based on codes
Photocopying	Actual use, based on codes
Postage	Actual, per postage log
Supplies	Actual, per usage forms

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.19.3. Allocation of Overhead Costs (DECEMBER 2006)

On a monthly basis, an allocation of overhead to each program shall be recorded. Overhead shall be allocated based on funding agency documentation.

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.20. FINANCIAL POLICIES PERTAINING TO ADMINISTRATION OF AWARDS (DECEMBER 2006)

*Responsible Institutional Official: SVP/COO
Information Contact: Controller*

8.20.1. Billing and Financial Reporting (DECEMBER 2006)

PHI strives to provide management, project personnel, administrative staff and funding sources with timely and accurate financial reports applicable to all awards. These reports include monthly and cumulative expenditures, a project budget, and a balance remaining column.

The following policies shall apply to the preparation and submission of billings to federal agencies under awards made to PHI:

- It is PHI's policy to request reimbursement after expenditures have been incurred, unless an award specifies another method.
- Each award normally specifies a particular billing cycle; Therefore, a schedule is established for each grant and contract to ensure that reimbursement is made on a timely basis along with any other reporting that is required in addition to the financial reports.
- Requests for reimbursement of award expenditures will use the actual amounts as posted to the Activity module as the source for all invoice amounts.
- All financial reports required by each award will be prepared and filed on a timely basis. To the extent PHI's year-end audit results in adjustments to amounts previously reported to funding agencies, revised reports shall be prepared and filed in accordance with the terms of each award.

PHI shall maintain separate billing records in addition to the official Activity module accounting records. Billing records shall be reconciled to the general ledger on a monthly basis.

At the time invoices (requests for reimbursement) are prepared, revenue and accounts receivable shall be recorded on the books of PHI by Financial Analyst.

If a federal award authorizes the payment of cash advances to PHI, the Controller may request that such an advance be made. Upon receipt of a cash advance from a federal agency, PHI shall reflect a liability equal to the advance. As part of the monthly close-out and invoicing process, the liability shall be reduced, and revenue recognized, in an amount equal to the allowable costs incurred for that period.

*Responsible Institutional Official: SVP/COO
Information Contact: Controller*

8.20.2. Cash Drawdowns Under Letters of Credit (DECEMBER 2006)

Cash drawdowns under letters of credit from federal agencies shall be made at least monthly. The Controller may draw cash from the U.S. Treasury based on a computer listing of anticipated cash disbursements due to be paid within the next week. Adjustments to this estimate may be

made for known exceptions, such as staff going on or returning from leave, non-recurring purchases, etc.

In addition, the following schedule shall be completed to reconcile Federal cash on hand and to estimate PHI's need for additional Federal funds:

+ Federal cash on hand at beginning of month
+ Federal cash drawn down during month

= Total Cash Available

- Estimated Federal disbursements this month to date
- Estimated Federal disbursements this week

= Amount to be requested

Responsible Institutional Official: Controller
Information Contact: Controller

8.20.3. Procurement (DECEMBER 2006)

Procurement of goods and services whose costs are charged to awards received by PHI are subject to PHI's Purchasing Policy

Responsible Institutional Official: SVP/COO
Information Contact: Director of G&C

8.20.4. Equipment and Furniture Purchased With Federal Funds (DECEMBER 2006)

PHI may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a Federal agency. In addition to those policies on Asset Management described earlier, equipment and furniture charged to Federal awards will be subject to certain additional policies as described below.

For purposes of Federal award accounting and administration, "equipment" shall include all assets with a unit cost equal to the lesser of \$5,000 or the capitalization threshold utilized by PHI, described under Asset Management.

All purchases of "equipment" with federal funds shall be approved in advance in writing by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

- Any equipment that is owned by the Federal government and given to PHI for use in a program shall be marked as such.
- Adequate insurance coverage will be maintained with respect to equipment and furniture charged to Federal awards.
- For equipment (or residual inventories of supplies) with a remaining per unit fair market value of less than \$5,000 at the conclusion of the award, PHI shall retain the equipment

without any requirement for notifying the federal agency. If the remaining per unit fair market value is \$5,000 or more, PHI shall gain a written understanding with the federal agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal agency, keeping the equipment and compensating the federal agency, or selling the equipment and remitting the proceeds, less allowable selling costs, to the federal agency.

- PHI G & C Director shall determine whether a specific award with a Federal agency includes additional equipment requirements or thresholds and requirements that differ from those described above.
- A physical inventory of all equipment purchased with federal funds shall be performed at least once every two years. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed by PHI.

Responsible Institutional Official: SVP/COO

Information Contact: Director of G&C

8.20.5. Standards for Financial Management Systems (DECEMBER 2006)

In accordance with OMB Circular A-110, it is the policy of PHI to maintain a financial management system that provides for the following:

- Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements of Circular A-110 and/or the award.
- Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest.
- Effective control over and accountability for all funds, property and other assets.
- Comparison of outlays with budget amounts for each award.
- Written procedures to minimize the time elapsing between the transfer of funds to PHI from the U.S. Treasury and the issuance or redemption of checks, warrants or payments by other means for program purposes by the recipient.
- Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.
- Accounting records including cost accounting records that are supported by source documentation.

Responsible Institutional Official: Controller

Information Contact: Controller

8.20.6. Budget and Program Revisions (DECEMBER 2006)

It is PHI's policy to request prior approval from Federal awarding agencies for any of the following program or budget revisions:

- Change in the scope or objective of the project or program, even if there is no associated budget revision requiring prior written approval.
- Change in a key person (PD, etc.) specified in the application or award document.
- The absence for more than three months, or a 25 percent reduction in time devoted to the project, by the approved PI/PD.
- The need for additional Federal funding.
- The transfer of amounts budgeted for indirect costs to absorb increases in direct costs, or vice versa, if approval is required by the Federal awarding agency.
- The inclusion, unless waived by the Federal awarding agency, of costs that require prior approval in accordance with OMB Circular A-122.
- The transfer of funds allotted for training allowances (direct payment to trainees) to other categories of expense.
- Unless described in the application and funded in the approved awards, the subaward, transfer or contracting out of any work under an award (However, this provision does not apply to purchases of supplies, materials, equipment or general support services).

Responsible Institutional Official: SVP/COO
Information Contact: Director of Grants & Contracts

8.20.7. Close Out of Federal Awards (DECEMBER 2006)

PHI shall follow the close out procedures described in OMB Circular A-110 and in the grant agreements as specified by the granting agency.

PHI and all subrecipients shall liquidate all obligations incurred under the grant or contract within 90 days of the end of the grant or contract agreement.

Responsible Institutional Official: SVP/COO
Information Contact: Director of G&C

8.21. CHARGING OF COSTS TO FEDERAL AWARDS (DECEMBER 2006)

Responsible Institutional Official: SVP/COO
Information Contact: Controller

8.21.1. Overview (DECEMBER 2006)

It is PHI's policy that only costs that are reasonable, allowable and allocable to an award shall be charged to that award directly or indirectly. All unallowable costs shall be appropriately segregated from allowable costs in the general ledger in order to assure that unallowable costs are not charged to awards.

Responsible Institutional Official: SVP/COO
Information Contact: Director of G&C

8.21.2. Segregating Unallowable From Allowable Costs (DECEMBER 2006)

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each award:

- The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
- Accounting and G&C personnel shall be familiar with the allowability of costs provisions of OMB Circular A-122, "Cost Principles for Non-Profit Organizations", particularly:
 - The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc.
 - Those costs requiring advance approval from agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.
- No costs shall be charged directly to any award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A-122.
- For each award, an appropriate set of Activity account categories shall be established in the Activity module of PHI to reflect the categories of allowable costs identified in the award or the award budget.
- All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to an award or to activity associated with an award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e. if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)

Responsible Institutional Official: SVP/COO
Information Contact: Director of G&C

8.21.3. Criteria for Allowability (DECEMBER 2006)

It is PHI's policy that all costs must meet the following criteria in order to be treated as allowable direct or indirect costs under an award:

- The cost must be "reasonable" for the performance of the award, considering the following factors:
 - Whether the cost is of a type that is generally considered as being necessary for the operation of PHI or the performance of the award;
 - Restraints imposed by such factors as generally accepted sound business practices, arm's length bargaining, Federal and state laws and regulations, and the terms and conditions of the award;
 - Whether the individuals concerned acted with prudence in the circumstances;
 - Consistency with established policies and procedures of PHI, deviations from which could unjustifiably increase the costs of the award.
- The cost must be "allocable" to an award by meeting one of the following criteria:

- The cost is incurred specifically for a Federal award;
 - The cost benefits both the Federal award and other work, and can be distributed in reasonable proportion to the benefits received; or
 - The cost is necessary to the overall operation of PHI, but, where a direct relationship to any particular program or group of programs cannot be demonstrated.
- The cost must conform to any limitations or exclusions of OMB Circular A-122 or the Federal award itself.
 - Treatment of costs must be consistent with policies and procedures that apply to both Federally financed activities and other activities of PHI.
 - Costs must be consistently treated over time.
 - The cost must be determined in accordance with generally accepted accounting principles.
 - Costs may not be included as a cost of any other program in the current or prior periods.
 - The cost must be adequately documented.

Responsible Institutional Official: SVP/COO
Information Contact: Director of G&C

8.21.4. Direct Costs (DECEMBER 2006)

Direct costs include those costs that are incurred specifically for one award. PHI identifies and charges these cost exclusively to each award or program.

Each invoice shall be coded with the appropriate account number reflecting which program received direct benefit from the expenditure. Invoices are authorized by the appropriate PD and approved by the G & C Specialist.

Time sheets or personnel activity reports, described earlier, are also submitted on a regular basis reflecting employees' work and which programs directly benefited from their effort. Time sheets or personnel activity reports shall serve as the basis for charging salaries directly to awards.

Equipment purchased for exclusive use on an award and reimbursed by a funding agency shall be accounted for as a direct cost of that award (i.e. such equipment shall not be capitalized and depreciated).

Responsible Institutional Official: SVP/COO
Information Contact: Director of G&C

8.21.5. Indirect Costs (DECEMBER 2006)

Indirect costs are those costs that either benefit more than one award (overhead costs) or that are necessary for the overall operation of PHI (management and general costs).

PHI maintains an annual indirect cost budget. Each year a new indirect cost budget is prepared and submitted to PHI's Cognizant Agency for approval. The indirect cost rate approved is used when determining the overhead applied to each federal award.

Examples of the types of expenditures normally included in the indirect cost pool are:

- General administration
- Salaries and benefits of the executive officers, finance, accounting and administrative personnel
- Depreciation of equipment and buildings
- Office rent and maintenance
- General office repairs and maintenance

PHI's independent auditor has the responsibility of reviewing PHI's indirect cost rates. These rates are submitted to PHI's Oversight Agency and will be binding on all other federal agencies and their contracting officers unless specifically prohibited by statute.

Responsible Institutional Official: SVP/COO
Information Contact: Director of G&C

8.21.6. Accounting for Specific Elements of Cost (DECEMBER 2006)

PHI shall utilize the following methods of charging specific elements of cost to awards as direct or indirect costs:

Salaries and Wages—Salaries and wages shall be charged directly and indirectly based on the functions performed by each employee, as documented on each employee's timesheet, as follows:

Direct costs—The majority of the employees of PHI charge their time directly since their work is specifically identifiable to specific grants or other programs or functions of PHI.

Indirect costs—Employees of PHI whose work is not specifically identifiable to funded projects.

Compensated absences (vacation leave earned, sick leave used, and holiday pay) are considered part of salary costs. The accounting system of PHI records salaries associated with compensated absences as a direct or indirect cost in the same manner that salary costs are recorded.

Employee Benefits— PHI incurs costs for the following statutory and non-statutory employee benefits:

- FICA
- Unemployment insurance
- Worker's compensation
- Health insurance
- Contributions to pension plan

Since the PHI accounting system tracks employee benefit costs by individual employee, each such benefit cost shall be charged directly and indirectly in the same proportion as each individual's salary.

Occupancy Expenses—Monthly rent expense and related pass-through expenses shall be allocated directly and indirectly, based on approximate square footage of space utilized, as follows:

Direct costs—The cost of space occupied by staff whose salaries are directly charged to awards is charged directly to those same awards

Indirect costs—The costs of space occupied by staff whose salaries are indirectly charged is also charged indirectly.

Utilities—Utilities costs incurred by PHI may include electricity and water. Such utilities costs shall be charged directly and indirectly in the same proportion as occupancy costs.

Supplies and Materials—To the maximum extent possible, office supplies and materials are charged directly to the grant or program/function that uses the supplies or materials. All supplies and materials used by staff who are engaged in indirect activities shall be charged indirectly.

Postage and Shipping—To the maximum extent possible, postage and shipping costs shall be charged directly to the grant or program/function that benefits from the postage or shipping costs.

Photocopying and Printing—Photocopying costs include all paper and copy supplies, copier maintenance charges and the actual lease cost of the copier. Photocopying costs shall be charged directly and indirectly based on the user.

All printing costs are charged directly to the benefiting grant or program/function. All printing costs used by staff who are engaged in indirect activities shall be charged indirectly.

Communications—Communications costs include the costs of local telephone service and long-distance telephone charges, including charges associated with telephone calls, facsimile transmissions, and Internet dial-up connections.

Outside Services—PHI incurs outside service costs for a variety of costs including its annual audit and legal fees. Outside service costs shall be charged as follows:

Audit Fees—Audit fees are treated as an indirect cost.

Legal fees—Legal fees shall be charged directly to the program/function that benefits from the services. Legal fees that are not identifiable with specific direct grants or programs shall be charged indirectly.

Insurance—To the extent that insurance premiums are associated with insurance coverage for specific grants or programs, those premium costs shall be charged directly. All insurance costs that are not identifiable with specific direct grants or programs (such as PHI's general liability coverage) shall be charged indirectly.

Credits—The applicable portion of any credits resulting from cash discounts, volume discounts, refunds, write-off of stale outstanding checks, trade-ins, scrap sales or similar credits shall be credited directly or indirectly in the same manner as the purchase that resulted in the credit.

Responsible Institutional Official: SVP/COO

Information Contact: Director of Grants & Contracts, Controller

8.21.7. Cost Sharing and Matching (DECEMBER 2006)

It is the policy of PHI to value contributed services and property that are to be used to meet a cost sharing or matching requirement at their fair market values at the time of contribution, unless award documents or Federal agency regulations identify specific values to be used.

PHI shall claim contributions as meeting a cost sharing or matching requirement of a Federal award only if all of the following criteria are met:

- They are verifiable from PHI records
- They are not included as contributions for any other federally-assisted project or program.
- They are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- They are allowable under OMB Circular A-122.
- They are not paid by the Federal government under another award, except where authorized by Federal statute to be used for cost sharing or matching.
- They are provided for in the approved budget when required by the Federal awarding agency.
- They conform to all provisions of OMB Circular A-110.
- In the case of donated space, the space is subject to an independent appraisal to establish its value.

Contributed services used for cost sharing or matching purposes shall be valued at rates consistent with those rates paid for similar work in PHI (match up experience and skill level), including an estimate of reasonable fringe benefits. In cases in which the required skills are not found in PHI, rates used shall be consistent with those paid for similar work in the labor market in which PHI competes.

It is PHI's policy to require volunteers to document and account for their contributed time in a manner similar to the time-keeping system followed by PHI employees

Responsible Institutional Official: SVP/COO

Information Contact: Director of G&C, Controller

CHAPTER 9: INTELLECTUAL PROPERTY

9.1. INTELLECTUAL PROPERTY RIGHTS (DECEMBER 2006)

Intellectual property created by PHI employees and intellectual property acquired by PHI is the property of PHI. It is PHI's policy to protect and enforce its intellectual property rights and to license, transfer or otherwise dispose of its intellectual property when it is in the interests of PHI to do so.

*Responsible Institutional Official: President/CEO
Information Contact: GC*

9.1.1. Definitions (DECEMBER 2006)

“Intellectual property”—The various interests in intangible property that are protected by patent, copyright, trademark, trade name and trade secret law.

“Patent”—An inventor's exclusive right to make, use, or sell an invention. To be patentable, an invention must be a new and useful process, machine, manufacture or composition of matter, or an improvement thereof. Patent law protects an idea or concept, not just its specific expression.

“Copyright”—An author's exclusive right to use, distribute, reproduce and modify an original literary, or artistic work or expression, and the right to authorize others to do the same. Unlike patent law, copyright protects the expression of an idea, not the idea itself. Owning a copyright in a work is different from owning a physical copy of the work. Copyrightable works of authorship include written documents, graphic designs, sound recordings, and certain aspects of computer programs.

“Trademark”—The owner's right to use a distinctive word, phrase or symbol to identify goods and services. Trademarks include logos, slogans and names. The degree of protection given a trademark depends on its distinctiveness. Fanciful or arbitrary marks get the most protection.

“Trade Name”—A name used to identify a business. Unlike trademarks, which identify specific products or services, a trade name signifies the business as a whole. For example, the name “Public Health Institute” is a trade name and PHI's logo is a trademark. Businesses frequently use trade names that are different from their corporate name.

“Trade Secret”—Information that is valuable to a business because it is not generally known to the public. The scientific and technical know-how of PHI's project staff can be a trade secret, as well as business plans, computer software and databases, confidential information about employee salaries and other personnel information, confidential information about research subjects or other third parties, indirect cost rates, other cost and financial information, knowledge about funding agency priorities, professional contact lists, etc. Some trade secrets may be protected under patent and copyright law. Trade secrets are sometimes referred to as a “confidential information” or “proprietary information.” The essential feature of a trade secret is that it has not been disclosed outside PHI, except under terms and conditions of nondisclosure.

*Responsible Institutional Official: GC
Information Contact: GC*

9.2. PATENTS (DECEMBER 2006)

Patent rights are acquired by issuance of a patent from the U.S. Patent and Trademark Office. Applying is complicated, time-consuming, and expensive. It may require disclosure of trade secrets and confidential information. Patent protection lasts for 17 years.

A patent can be obtained only in the name of the person who originated the invention. Although a company can't apply for a patent in its own name, an inventor can assign, license, or transfer a patent to it. With respect to employee inventions, if an employee's specific assignment is inventing products, an implied contract to assign patent rights to the employer may be recognized in California. Other employees' inventions are probably theirs unless they agree otherwise with their employer. Most employers ask workers to agree to assign them all rights to inventions made or conceived in the course of work. Some give employees a share of royalties earned on any inventions.

Most federal contracts and grants contain a patent rights clause giving the recipient title to patents made in whole or in part with federal funds, in exchange for a royalty-free license to the government. The recipient must obtain employees' written agreement to promptly disclose inventions and assist in filing patent applications. Nonprofit recipients are required to share royalties with the individual inventor, and use the balance of the royalty proceeds for scientific research and education. Some patent application-related costs are allowable under OMB Circular A-122 if the government will receive a license to use the patented invention.

State contracts generally require that patent rights be assigned to the State. Private foundation grants usually allow the awardee to retain all patent rights. Contracts and grants from commercial organizations can have a variety of different provisions. As a tax-exempt charity engaged in scientific research, PHI is required to make the results of its research (including any patents, copyrights, processes or formulas) available to the public on a nondiscriminatory basis.

PHI's programs and projects have historically not led to patentable inventions.

Responsible Institutional Official: GC
Information Contact: GC

9.3. COPYRIGHT (DECEMBER 2006)

Copyright is automatically acquired upon creation of a work and lasts for the author's lifetime plus 50 years. It isn't necessary to affix the copyright symbol or register with the U.S. Copyright Office. However, affixing the copyright symbol puts potential infringers on notice. Registration is a prerequisite to the right to sue for infringement. Registration is a simple, inexpensive procedure.

Copyright belongs to the author of the work. However, works created by employees within the scope of their employment ("work for hire") are deemed by law to be the employer's property. For example, documents, reports and all other copyrightable works created by PHI employees within the scope of their employment are the property of PHI. Works authored by consultants and other independent contractors generally belong to them. However, their copyright can be

assigned, licensed, or transferred. For example, a consultant can be required to assign copyright in a work paid for by PHI to PHI.

Works produced with federal government support are not automatically in the public domain. Instead, the recipient is usually allowed to copyright books, publications or other material. The government receives a license to use the work for government purposes.

State contracts usually provide for state ownership of copyright. Private foundation grants usually allow the awardee to claim copyright, sometimes with a license to the grantor. Contracts and grants from commercial organizations can have a variety of different provisions.

Responsible Institutional Official: GC

Information Contact: GC

9.4. TRADEMARKS (DECEMBER 2006)

Trademark rights are generally acquired by use of the trademark. However, they can be registered. Registration gives constructive notice to junior users or infringers and allows the owner to acquire the mark prior to actual use. Registration lasts for 20 years as long as it is periodically renewed. Registration of a trademark that will be used in interstate commerce is somewhat expensive and time-consuming. Federal registration is indicated by the registration notice (an encircled “R”) or “REG. U.S. PAT. & TM. OFF”. An unregistered mark is designated by the symbol “TM”.

By law, trademarks created by PHI employees in the course of employment belong to PHI. Trademarks can be assigned, licensed, or transferred. Federal grants and contracts usually leave trademark rights with the grantee or contractor. State contracts provide for ownership by the State. Foundation grants seldom address trademark rights.

Responsible Institutional Official: GC

Information Contact: GC

9.4.1. PHI Trademark (DECEMBER 2006)

PHI's corporate logo is a registered trademark. See cross-reference for PHI's guidelines on use of the logo.

Responsible Institutional Official: GC

Information Contact: VP Development and Communications

Cross-reference: [PHI Style Guide](#) , [PHI Logos and Color Guide](#)

9.5. TRADE NAMES (DECEMBER 2006)

Trade name rights are acquired by use. In California, filing articles of incorporation with the Secretary of State protects the official corporate name. Protection for other trade names is obtained by filing Fictitious Business Name Statements (DBAs) in the counties where PHI does business under a trade name. The U.S. Patent and Trademark Office does not register trade names. Trade name protection acquired by filing articles of incorporation or a DBA does not entitle the user to trademark rights.

By law, trade names created by PHI employees in the course of employment belong to PHI. Trade names can be assigned, licensed, or transferred. Foundation grants and contracts leave trademark ownership with the recipient. State contracts provide for ownership by the State. Foundation grants are silent on the question.

Responsible Institutional Official: GC
Information Contact: GC

9.6. TRADE SECRETS (DECEMBER 2006)

Trade secret information is protected only if the owner takes reasonable steps to maintain its secrecy. These steps include limiting access to facilities, data, paper and computerized records, disclosing information only on a “need to know” basis, affixing proprietary legends on documents, entering into invention and secrecy agreements with employees and contractors, etc. California law provides a cause of action for misappropriation of trade secrets. Remedies include injunctive relief, damages, and attorney’s fees.

Confidential information which a PHI employee acquires or develops in the course of employment belongs to PHI. Trade secrets can be assigned, licensed, or transferred.

Government funding agencies usually provide a mechanism for applicants to mark trade secrets in proposals and other communications and thereby gain protection from disclosure to third parties under freedom of information laws. From time to time, PHI enters into non-disclosure agreements with other parties. Examples include potential co-venturers in a proposal to a funding agency, or a potential seller or buyer of products that require trade secret protection, e.g., computer programs.

Responsible Institutional Official: GC
Information Contact: GC

9.7. COPYRIGHTING PUBLICATIONS AND OTHER MATERIALS (DECEMBER 2006)

PHI program and project employees often create or acquire copyrightable written documents. Examples include reports and publications, survey instruments, educational materials, videos and recordings with public health messages, project reports and other publications. Employees should affix the copyright notice to materials that will be distributed publicly and need to be protected from unauthorized copying. The copyright notice should be placed on the front or back of the title page of publications that are distributed in book form, generally at the bottom,

and on the first page of documents that are distributed as pamphlets or stapled sheets. The copyright notice consists of the encircled © symbol followed by the word copyright, the name of the copyright owner and the year of publication, e.g.

© Copyright Public Health Institute 2006.

Some PI/PDs want to include the name of their project on the copyright notice. If so, the project name may be included after PHI's name, e.g., © Copyright Public Health Institute/International Health Studies 2006. Including the project name does not affect the ownership of the copyright. PHI employees do not need to obtain approval from management to affix the copyright notice to a work.

In the case of publications that might be sold or licensed commercially by PHI, or that otherwise deserve additional protection against infringement (for example, to protect the integrity of the contents of the work), PHI will register the copyright with the U.S. Copyright Office. The GC's office is responsible for copyright registration. The cost is treated as an indirect cost.

PHI sometimes licenses outside parties to use copyrighted publications or other materials. See the Information Contact for information about copyright registration, licensing or copyright protection for materials other than written documents.

Responsible Institutional Official: General Counsel
Information Contact: Administrative Assistant to GC

9.8. TRADEMARK REGISTRATION (DECEMBER 2006)

PHI employees sometimes create or acquire trademarks. Examples include project logos and symbols to accompany consumer educational materials. Care must be taken to avoid infringing on existing trademarks. Registration is desirable if the mark will be affixed to materials that might be sold or licensed commercially by PHI, or that would lose their educational value and credibility if infringed. Registration usually requires hiring a search firm to look for existing similar marks. The approval of management is required to register a trademark. Registration costs are treated as indirect costs. See the Information Contact for information about trademark registration and licensing.

Responsible Institutional Official: GC
Information Contact: Administrative Assistant to GC

9.9. TRADE NAME REGISTRATION (DECEMBER 2006)

PHI allows programs and projects to give themselves unique trade names that are different from PHI. These names appear on stationery, web sites, publications, and other materials. The GC's office is responsible for registration of fictitious business names. The cost is treated as an indirect cost. See the Information Contact for information about fictitious business name registration.

Responsible Institutional Official: GC
Information Contact: Administrative Assistant to GC

9.10. TRADE SECRET PROTECTION (DECEMBER 2006)

PHI employees often create or come into possession of trade secrets owned by PHI. They are expected to keep trade secrets in confidence. Additionally, they are expected to use appropriate means to maintain the security of records of trade secrets, and not to disclose them without authorization. Employees who have questions about the confidentiality of information in their possession should ask their supervisor for guidance. PI/PD's and other employees who wish to enter into a nondisclosure agreement with a third party should contact the Office of GC. A nondisclosure agreement is a contract, and cannot be signed by persons not authorized to sign contracts on behalf of PHI.

Responsible Institutional Official: GC

Information Contact: Administrative Assistant to GC

9.10.1. Confidentiality of Third-Party Personal Information (DECEMBER 2006)

PHI is a public health organization with a significant research portfolio. Many PHI programs and projects possess highly confidential and sensitive information about individuals in the community. This data may or may not be a PHI trade secret. It is critical that there be appropriate policies and procedures for access, disclosure and security of data. In some cases, these policies and procedures may be dictated by law, or by funding agency requirements. In the case of research data, there may be confidentiality requirements imposed by PHI's Institutional Review Board (IRB).

PHI expects the PI/PD of a program or project that is in possession of personal and confidential information to establish appropriate confidentiality, access, disclosure and security policies and procedures consistent with generally-accepted standards in the relevant research or other field. These policies should be in writing, with a level of detail appropriate to the circumstances. They should be communicated to employees, independent contractors and other persons or institutions with access to the data or a need to know. There should be a procedure for persons with questions about the content or interpretation of the policies to obtain a timely response. Policies should be reviewed periodically and updated as appropriate. Any breach or suspected breach of confidentiality or security should be reported immediately to the SVP/COO and to the IRB (if applicable). Assistance in identifying and interpreting relevant legal requirements and in preparing and reviewing confidentiality policies may be obtained from the GC. A copy of each program's or project's confidentiality policy should be provided to the SVP/COO.

Responsible Institutional Official: SVP/COO

Information Contact: GC, IRB Administrator

Cross-references: [IRB Guidelines for Investigators](#)

CHAPTER 10: HUMAN RESOURCES AND PERSONNEL

10.1. ORGANIZATION AND RESPONSIBILITIES OF THE HUMAN RESOURCES DEPARTMENT (DECEMBER 2006)

The HR Department is part of PHI's Operations division. It has five sections: Recruitment, Compensation, Benefits, Payroll and Training.

Responsible Institutional Official: Director of HR
Information Contact: HR Manager

10.2. EQUAL EMPLOYMENT OPPORTUNITY AND AFFIRMATIVE ACTION PLAN (DECEMBER 2006)

PHI is committed to a policy to provide equal employment opportunities to all employees and applicants for employment without regard to race, color, religion, sex, national origin, ancestry, age, marital status, medical condition (cancer-related), physical or mental disability, veteran's status, or affectional orientation, and to make all employment decisions so as to further this principle of equal employment opportunity. To this end, PHI will not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, ancestry, age, marital status, medical condition (cancer-related), physical or mental disability, veteran's status, or affectional orientation, and will take affirmative action to ensure that applicants are employed and employees are treated during employment without regard to these characteristics. A copy of PHI's Affirmative Action Policy Statement for Equal Opportunity is available at the cross reference below.

Responsible Institutional Official: HR Manager
Information Contact: HR Manager

10.3. RECRUITMENT AND HIRING (DECEMBER 2006)

PHI has a standard procedure for recruitment and hiring of new employees. Responsibility for recruitment and hiring is shared by PI/PDs and the HR Department.

Responsible Institutional Official: Director of HR
Information Contact: HR Manager
Cross-references: [Recruitment and Hiring Guide](#)

10.4. TITLE AND PAY PLAN (DECEMBER 2006)

The BOD has adopted a Title and Pay Plan consisting of a Statement of Title and Pay-Related Principles & Practices and a position and compensation matrix. The Statement is cross-referenced below. The matrix is confidential. The HR Department provides information from the matrix on a need-to-know basis.

Responsible Institutional Official: Director of HR

Information Contact:

Cross-references: [The Statement of Title and Pay-Related Principles & Practices](#)

10.4.1. Title and Pay Plan Implementation Guidelines

The HR Department has prepared guidelines to implement the Title and Pay Plan.

Responsible Institutional Official: Director of HR

Information Contact:

Cross-references: [PHI Title and Pay Plan Implementation Guidelines](#)

10.5. POSITIONS REQUIRING EXCEPTIONAL SKILLS AND RESPONSIBILITY (DECEMBER 2006)

The Title and Pay Plan authorizes the CEO to negotiate individual employment agreements for positions that require exceptional management, professional, scientific and technical responsibility. Factors that will be considered include education and training, knowledge and skills, work history and experience, achievement and productivity, judgment, reputation and professional recognition, level of effort, accountability and responsibility required for the position, ability to contribute to PHI's short and long-term financial and program success, previous salary and benefits, PHI's financial circumstances, funding agency requirements, and any other factors substantially related to the candidate's ability to make an exceptional contribution to PHI.

Responsible Institutional Official: Director of HR

Information Contact: Director of HR

Cross-references: [The Statement of Title and Pay-Related Principles & Practices](#)

10.6. PERSONNEL POLICIES (DECEMBER 2006)

The PHI Personnel Policy Manual sets forth policies and procedures governing the terms and conditions of employment and PHI, including employee benefits and related matters. See cross-reference.

Responsible Institutional Official: Director of HR

Information Contact:

Cross-references: [Personnel Policy Manual](#)

10.6.1. Classification of Workers as Independent Contractors (DECEMBER 2006)

PHI abides by IRS definitions of “employer” and of “independent contractor”. It is the policy of PHI to consider all relevant facts and circumstances regarding the relationship between PHI and the individual in making determinations about the classification of workers as independent contractors or employees. This determination is based on the degree of control and independence associated with the relationship between PHI and the individual. Facts that provide evidence of the degree of control and independence fall into three categories:

- Behavioral control
- Financial control
- The type of relationship of the parties

Facts associated with each of these categories that will be considered by PHI in making employee/contractor determinations shall include:

- Behavioral control:
 - Instructions given by PHI to the worker that indicate control over the worker (suggesting an employee relationship), such as:
 - When and where to work
 - What tools or equipment to use
 - What workers to hire or to assist with the work
 - Where to purchase supplies and services
 - What work must be performed by a specified individual
 - What order or sequence to follow
 - Training provided by PHI to the worker (i.e. employees typically are trained by their employer, whereas contractors typically provide their own training)
- Financial control:
 - The extent to which the worker has unreimbursed business expenses (i.e. employees are more likely to be fully reimbursed for their expenses than is a contractor)
 - The extent of the worker’s investment in the facilities/assets used in performing services for PHI (greater investment associated with contractors)
 - The extent to which the worker makes services available to the relevant market
 - How PHI pays the worker (flat fee paid to some contractors)
 - The extent to which the worker can realize a profit or loss.
- Type of Relationship:
 - Written contracts describing the relationship that PHI and the individual intend to create
 - The permanency of the relationship
 - The extent to which services performed by the worker are a key aspect of the regular business of PHI

If an individual qualifies for independent contractor status, the individual will be sent a Form 1099 if total compensation paid to that individual for any calendar year, on the cash basis, is \$600 or more. The amount reported on a Form 1099 is equal to the compensation paid to that person during a calendar year (on a cash basis). Reimbursement of business expenses in accordance with PHI's expense reimbursement policies are also included.

Responsible Institutional Official: Director of G&C
Information Contact: Director of G&C

10.6.2. Personnel Administration (DECEMBER 2006)

For all PHI employees, a personnel file is established and maintained with current documentation, as described throughout this section and more fully described in PHI's Personnel Manual.

The following forms, documents and information shall be obtained and included in the personnel files of all new employees:

- Personnel Action Form (PAF)
- PHI Employment Application (and resume)
- Interview questions and notes
- Form W-4 Employee Federal and State Withholding Certificates
- State Withholding Certificate
- Authorization for direct deposit of paycheck
- Employment Authorization Verification (I-9)
- Reference Checks
- Emergency Contacts
- Benefit Enrollment Forms
- Performance Appraisal Forms

Responsible Institutional Official: Director of HR
Information Contact: HR Manager
Cross-Reference: [Personnel Policy Manual](#)

10.6.3. Changes in Personnel Data (DECEMBER 2006)

It is the policy of PHI that all of the following changes in payroll data are to be authorized in writing:

- New hires
- Terminations
- Changes in salaries and pay rates

- Voluntary payroll deductions
- Changes in income tax withholding status
- Changes in name or other personal information (address or telephone)

Responsible Institutional Official: Director of HR

Information Contact: HR Manager

Cross-Reference: [Personnel Policy Manual](#)

10.7. HARASSMENT FREE WORKPLACE (DECEMBER 2006)

PHI is committed to providing a workplace that is free from all types of discrimination, including harassment and intimidation. For details on PHI's harassment free workplace policy, see cross-referenced materials below.

Responsible Institutional Official: Director of HR

Information Contact: HR Manager

Cross-Reference: [Harassment Free Workplace Policy](#)

10.8. ILLNESS AND INJURY PREVENTION PROGRAM (DECEMBER 2006)

PHI's goal is to maintain a safe and healthy workplace and to comply with applicable laws and regulations governing workplace safety. For information about PHI's Injury and Illness Prevention Program, see the cross-reference below.

Responsible Institutional Official: Director of HR

Information Contact: HR Manager

Cross-references: [Injury and Illness Prevention Program](#)

10.9. DRUG FREE WORKPLACE (DECEMBER 2006)

PHI strives to maintain a workplace that is free from the illegal use, possession or distribution of controlled substances. A copy of PHI's Drug-Free Workplace Policy is at the cross-reference below.

Responsible Institutional Official: Director of HR

Information Contact: HR Manager

Cross-reference: [Drug-Free Workplace Policy](#)

10.10. FAMILY AND MEDICAL CARE LEAVE POLICY (DECEMBER 2006)

PHI recognizes that there are situations when a leave of absence may be necessary for family or medical care reasons. A copy of PHI's Family and Medical Care Leave Policy is attached as a cross-reference.

Responsible Institutional Official: Director of HR

Information Contact: HR Manager

Cross-reference: [Family and Medical Care Leave Policy](#)

CHAPTER 11: GRANTS AND CONTRACTS (G&C) ADMINISTRATION

11.1. ORGANIZATION OF THE GRANTS AND CONTRACTS DEPARTMENT (DECEMBER 2006)

The staffing of the Grants and Contracts Department is organized as follows:

- Director, Grants and Contracts
- Manager, Grants and Contracts
- Grants and Contracts Specialists
- Administrative Support Staff

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.2. RESPONSIBILITIES OF GRANTS AND CONTRACTS DEPARTMENT (DECEMBER 2006)

The Grants and Contracts (G&C) Department plays a key, central role in PHI's management of its externally and internally funded projects. The primary responsibility of the Grants and Contracts Department is **post-award** administration and coordination of PI/PD needs with PHI's administrative resources. G&C has offices in both Oakland and Sacramento. This includes several specific functions:

- Overall: The Grants and Contracts Department is directly involved in post-award negotiation of incoming grant or contract terms and conditions. A Grants and Contracts Specialist is assigned to administer each award. Depending on the structure of the transaction as dictated by the funding agency, either the Development Department or the Grants and Contracts Department may be responsible for final execution of contract documents. As a general rule, the Principal Investigator or Project Director (PI/PD) and either Development (in pre-award) or Grants and Contracts staff (in post-award) share in the negotiation of the scope of work, budget details and other project performance related matters. On both sides of the equation, each is expected to stay in close communication with the other.
- PI/PD Point of Entry: The Grants and Contracts Department is the PI/PD's point of entry into PHI with respect to post-award financial, human resources, purchasing and procurement, and other matters related to day-to-day project administration. The Grants and Contracts Department may provide services directly, or it may refer a PI/PDs to the appropriate PHI contacts for those matters. The Grants and Contracts Department assists PI/PDs with problem-solving issues that cross departmental lines within PHI.
- Advice & Guidance: The Grants and Contracts Department provides post-award advice and guidance, both of a general nature and project-specific, to PI/PDs with respect to post-award special terms and conditions of an award, interpretation of contract language, etc.
- Record-keeping: G&C gathers and shares all relevant documents and communications with the funder. The Grants and Contracts Department keeps:
 - Records of funded proposals,

- Key materials related to the grant or contract negotiation process,
 - The fully executed copy of the grant/contract,
 - Fully executed copies of subgrants and subcontracts, and
 - Key correspondences with the funder.
- **Contractual:** The Grants and Contracts Department prepares outgoing grant and contract documents (sub-awards, subcontracts, vendor agreements, consultant agreements, etc.) for the PI/PD. As a general rule, the PI/PD and G&C staff share in the development and negotiation of the scope of work, budget details and other project performance-related matters. The Grants and Contracts Department takes the lead in negotiating other aspects of the transaction. The Grants and Contracts Department executes and keeps records of closed grants and contracts.
 - **Budget Support:** The Grants and Contracts Department provides internal review and approval of project expenditures proposed or requested by PI/PDs. Each program's G&C Specialist reviews proposed expenditures to assure that they are allowable under the terms of the funding document and that they fall within the award budget.

The Grants and Contracts Department assists PI/PDs in preparing budget projections, monitoring expenditure patterns, and similar matters. The project's G&C Specialist assists the PI/PD to modify an award budget to meet changing project needs, and follows through as necessary with the funder to get official approval of the changes.
 - The Grants and Contracts Department provides guidance to a PI/PD when a project is ending, including budget monitoring and modification, communications with the funder, timely submission of required program and financial reports, and other actions as required for timely closure of a project.
 - The Grants and Contracts Department informs the Senior Vice President and Chief Operating Officer upon request with respect to actual and projected program expenditures.
 - **Pre-Award:** The Grants and Contracts Department may be called upon advise and assist the Development Department in the administrative aspects of proposal development and submission, including cost proposal and project budget preparation, advice on the impact of funding agency post-award policies and procedures on a proposed project, and similar matters.
 - **Compliance:** The Grants and Contracts Department has primary responsibility for compliance with post-award administrative requirements of grants and contracts defined by funders and generally described in Chapter 13.
 - The Grants and Contracts Department monitors sub-recipients, as required by funders to provide reasonable assurance that sub-recipients are complying, in all material respects, with laws, regulations, and award flowdown provisions applicable to the program. The G&C Specialist identifies all applicable laws, regulations, and provisions of each grant and contract as follows:
 - For all awards, read the award and become familiar with key compliance requirements and references to specific laws and regulations.
 - For federal awards, review the section of the Catalog of Federal Domestic Assistance applicable to the award.

- The Grants & Contracts Department shall take all reasonable steps necessary to identify applicable changes in laws, regulations, and provisions of contracts and grants. Steps taken in this regard shall include, but not be limited to, reviewing subsequent grant and contract renewals, and communications with Federal awarding agency personnel.
- The Grants & Contracts Department shall identify and communicate to the Accounting Department any special changes in policies and/or procedures necessitated by Federal and other awards as a result of the review of each award.
- The PUBLIC HEALTH INSTITUTE shall prepare and submit financial reports as specified by the financial reporting clause of each grant or contract award document. Preparation of these reports shall be the responsibility of G & C Specialists, subject to review and approval by the Controller.

Responsible institutional official: Director of G&C
Information contact: Director of G&C

11.3. RESPONSIBILITIES OF PI/PDS FOR GRANTS AND CONTRACTS ADMINISTRATION (DECEMBER 2006)

PI/PDs shall have a basic understanding of the role and responsibilities of the Grants and Contracts Department and are expected to use the Department's services to accomplish the objectives described above. As part of their own overall compliance responsibilities, PI/PDs must comply with post-award programmatic requirements of incoming grants and contracts, and make best efforts to assure that their staff do the same. The assigned Grants and Contracts Specialist will conduct an individual orientation with a PI/PD and project staff (if associated with compliance) to inform them of the compliance requirements of a particular grant or contract, and to inform both the PI/PD and staff of the division of project management responsibilities between program staff and G&C.

Responsible institutional official: Director of G&C
Information contact: Director of G&C

11.3.1. Monitoring of Subrecipients (DECEMBER 2006)

PHI utilizes Federal and non-Federal funds to make sub-awards to subrecipients. PHI is often subject to a requirement to monitor each subrecipient in order to provide reasonable assurance that subrecipients are complying, in all material respects, with laws, regulations, and award provisions applicable to the program. The Grants and Contracts Specialist is responsible for this monitoring activity (see Chapter 13, Funding Agency Compliance Requirements for details).

Responsible institutional official: Director of G&C
Information contact: Director of G&C

11.4. TYPES OF FUNDING FOR PROJECTS (DECEMBER 2006)

Funding is provided to PHI projects primarily from external funding sources, and occasionally from PHI (internal) funding. External funders include agencies of the federal government and

the State of California, other governmental entities (counties, cities etc.), and private for-profit and nonprofit agencies. Activities are conducted in the United States and in numerous countries throughout the world, and include research and evaluation, training and technical assistance, and building community partnerships.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.4.1. Sponsored Projects (DECEMBER 2006)

Most projects at PHI are awarded by outside agencies and are, therefore, “sponsored” projects. They include grants, contracts (including purchase orders), cooperative agreements and sub-awards (from other agencies). Each includes a description of the work to be undertaken, some form of budget, and a grant, contract or other document specifying the terms and conditions of the award.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.4.2. Earned Interest (DECEMBER 2006)

Some awards, typically from private foundations, may be paid to PHI in lump sums prior to the program incurring expenditures. Some of the private funders may require in the award documents that the interest earned on these awards be:

- discretely recognized and monitored,
- considered part of the award grant,
- spent in a manner consistent with the original award and
- returned to the funder at the end of the project term if unspent.

PHI will treat earned interest in this described manner when specifically required in the award document.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.4.3. Gifts (DECEMBER 2006)

As a nonprofit 501(c)(3) agency, the Public Health Institute can receive contributions from individuals and organizations for the support of new or ongoing programs at PHI. Gifts, not otherwise limited by the donors, may be directed by PHI for a specific PHI program or for general support for the Institute. Peer reviewed internal competition assures that funds received will be awarded to the most qualified applicants. These internal awards are managed by the Grants and Contracts Department exactly as those which are funded from external sources.

Donors may make gifts specifically restricted for particular PHI programs, categories or purposes. PHI will comply with these legally binding restrictions by directing them for purposes consistent with the donor restrictions.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.5. AWARD SETUP (DECEMBER 2006)

When an award is received by PHI, the Development Department, which prepares funding proposals, will transfer the file to the Grants and Contracts Department, which administers active awards. A Grants and Contracts Specialist is assigned as the administrator to support all of a PI/PD's awards. When the award is received the G&C Specialist completes a series of detailed tasks to set it up as an active project in the PHI system. This includes review of the terms of the award, entry of the final approved budget in the PHI system, discussion with the PI/PD of necessary actions (hiring staff, renting space, etc.), communication with the funding agency if needed, and any other setup activities. The G&C Specialist will orient new PI/PDs to PHI operations and will be the primary PHI administrative contact during the project period.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.5.1. Pre-award Spending Authorization Process (DECEMBER 2006)

Some funding agencies allow an awardee to begin to spend funds after an award has been announced, but before any payment is actually received by the awardee (in this case PHI), or before the start date of the activity. If a PI/PD requests pre-award spending, the G&C Specialist will review the regulations of the funding agency and discuss the request with the Director, Grants and Contracts. The Director may authorize the requested expenditures, or refer the request to Management.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.6. PROJECT BUDGETS (DECEMBER 2006)

Project budgets are developed during the pre-award phase, and finalized when an award is received. The G&C Specialist will discuss the budget with the PI/PD and will monitor it generally during the period of the project. Regular reports will allow the PI/PD to monitor expenditures to assure that they remain within the limits set by budget categories. Either the G&C Specialist or the PI may initiate a request for a budget change. All change requests will be forwarded from G&C to the funding agency for consideration.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.7. EXPENDITURE PROCESSING (DECEMBER 2006)

The PI/PD identified, evaluates and selects needed services and supplies and initiates requests for payment of those expenditures. Once the vendors are selected, the requests must meet the requirements of PHI's Purchasing Policy. Some funding agencies may require the use of certain vendors such as minority, veteran or women owned businesses. These requests are forwarded to the G&C Specialist for review and approval to assure that they are appropriate to the budget. If a request falls within the approved budget, the G&C Specialist will approve it,

after which it is processed by the Accounts Payable section of the Accounting Department for payment.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

Cross-references: PHI Purchasing Policy

11.7.1. Signature Authority (DECEMBER 2006)

The PI/PD or his/her designee must first authorize all expenditure requests and then forward the invoices to their G&C Specialist for review and final approval for payment. The PI/PD has internal approval authority, but may also designate others participating in the project with this authority for particular types of expenses the PI/PD deems appropriate.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.7.2. Allowability and Allocability of Costs (DECEMBER 2006)

Federal regulations specify the allowability and allocability of various costs to federally funded projects. Other funding agencies may have their own rules about allowable costs. G&C Specialists review spending requests from projects with the applicable rules/regulations in mind so that expenditures will not be charged or allocated inappropriately.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.7.3. Cost Transfers (DECEMBER 2006)

It is the Public Health Institute's (PHI) policy that costs should be charged to the appropriate Activity Code and Account Category when first incurred. However, there are circumstances where it may be necessary to transfer expenditures to another Activity Code or between Account Categories within an Activity Code subsequent to the initial recording of the charge. To be allowable, cost transfers must be timely (within 90 days), be documented, conform to sponsor allowability standards, and have appropriate authorizing signatures. Documentation of the request and the reason for the request will be forwarded by the PI to the G&C Specialist for consideration. If approved, the G&C Specialist will forward the request to the Accounting Department (for non-labor requests) or to the Human Resources Department (personnel time reallocations).

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.7.4. Interfund Transfers (DECEMBER 2006)

PHI projects sometimes interact programmatically with other PHI projects. These interactions are often very similar to subcontractual arrangements between PHI programs and outside service providers, and often involve a transfer of funds between programs. PHI favors intra-PHI activities in which one program or project can provide its expertise to another PHI program or project. The G&C Specialist will work with the PI/PDs to develop a Memorandum of Understanding (MOU) to formalize an interfund agreement when substantive work by one PHI project or program is provided to another PHI program or project. The MOU will include a mutually agreed-upon scope of work, a list of deliverables (if appropriate), the inclusive dates of performance, and the fixed cost for the services to be provided. The MOU will be administered by the G&C Specialist. Payment must be cost-reimbursed – not a fixed fee payment - when the underlying funder is a federal agency.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.8. RECRUITMENT OF PROJECT STAFF (DECEMBER 2006)

Projects often need to recruit new staff, either because there is a new project with new personnel needs, or because staff have left and need to be replaced. This can be accomplished in one of two ways:

- The PI/PD will contact their G&C Specialist to discuss staff needs. The G&C Specialist will review the budget to assure that there are funds available for the requested position, and approve recruitment, or
- (2) The PI/PD will contact the Human Resources (HR) Department with his/her personnel needs, and the HR Department will write a request and forward it to the G&C Specialist for review and approval.

In either case the HR Department will conduct a recruitment for the position.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

11.9. FUND CLOSEOUT (DECEMBER 2006)

When a project is ending there are a number of actions which must be taken to ensure a smooth closeout. These range from the requirements of the funder for timely and accurate program and fiscal reports, termination or reassignment of employees, possibly the disposal of equipment, office supplies and furniture, accounting for a myriad of details. In the case where a project is transferring to another fiscal agency there may be added layers of activity including the transfer of leases and ownership of other assets such as furniture and office equipment. In all of this it is the G&C Specialist who is at the center of the administrative activities at PHI related to the change, providing the interface with appropriate personnel in other administrative departments as necessary, staying in close contact with the PI, with project administrative staff (if any), and with the funding agencies involved.

Special consideration (such as records retention) will be given when the closeout involves the termination of a program that housed multiple projects or the permanent of a PI/PD.

It is PHI's goal to provide smooth, efficient and thorough service to projects which are ending and/or leaving the Institute, and to meet all requirements of the funding agencies as articulated in regulations and/or in contract or grant documents previously accepted by PHI.

Responsible institutional official: Director of G&C
Information contact: Director of G&C

11.10. CONTRACTING POLICIES (DECEMBER 2006)

PHI's policy is to enter into contracts that are fair, reasonable and consistent with applicable laws, regulations and funding agency requirements. PHI's general approach is not to offer or accept contracts that are one-sided or that inequitably allocate rates and benefits. PHI does not ordinarily attempt to renegotiate the terms and conditions of government contracts offered to PHI, since they are usually on a "take it or leave it" basis. However, when negotiation is permitted by the agency or necessary to clarify terms and conditions, PHI will take advantage of the opportunity. PHI's policy is to prepare contractual documents that are clear, simple, specific, internally consistent and capable of being understood and interpreted by an ordinary person with a reasonable degree of sophistication in sponsored research and other externally-funded activities.

Responsible institutional official: GC
Information contact: Director of G&C

11.10.1. Overall Contracting Policy (DECEMBER 2006)

PHI accomplishes a substantial portion of its activities through vendors of goods and services, independent contractors/consultants, subcontractors, subgrantees, collaborating institutions, etc. Except when the context indicates otherwise, these parties are referred to in this section of the manual by the general term "contractors". PHI's business relationships with contractors are formed, negotiated and memorialized through contractual agreements.

All outgoing and incoming contracts will contain provisions describing the scope of work and payment method and amount with particularity. In addition, they will provide for termination, for cause or convenience by PHI, incorporation of funding agency requirements either by reference or in full, record retention, audit and inspection, indemnification of PHI, arbitration of disputes, overriding of intellectual property including copyright, trademark, patent, trade secrets, etc., and boilerplate provisions dealing with independent contractors, compliance with PHI policies and procedures, assignment, severability, renewal of obligations, governing law, notices and integration. They shall provide for signature by authorized signatories of the parties.

Outgoing contracts may also provide for effectiveness contingent on funding agency approval, advance payments to the second party, second party insurance, confidentiality, performance reporting, termination for cause or convenience by the second party, approval of lower tiers subcontractors, publications, protection of human subjects, human subjects education, representation and warrants by the parties, timely performance, and/or other conditions as included in the contract.

Responsible institutional official: GC
Information contact: Director of G&C

11.10.2. Written versus Oral Contracts (DECEMBER 2006)

PHI strongly prefers written contracts for reasons of sound business practice, accountability to funding agencies and similar precautionary considerations. However, oral agreements may sometimes be used for small and routine goods and services. PHI may repudiate any oral or written contract purportedly entered into on its behalf by a person not authorized to contract on behalf of PHI. The individual entering into the repudiated contract will be personally responsible to the second party for payment.

Responsible institutional official: GC
Information contact: Director of G&C

11.10.3. Contract Negotiation Authority (DECEMBER 2006)

Depending on the circumstances, contract negotiation may be undertaken by PI/PDs, various officials within PHI management, particular staff within the President/CEO, Senior Vice President/COO, Grants and Contracts, and Development Departments. PI/PDs have general authority to propose, negotiate scope of work, and issues, subject to approval of management. PI/PDs have limited authority to propose and negotiate price, budget, and terms and conditions relating to compliance with laws, regulations and funding requirements, risk allocation and “boilerplates”, subject to prior consideration and review by management. Management (usually the Development Department in the case of pre-award negotiation and the Grants and Contracts Department in the case of post-award negotiation) should be kept fully informed about any negotiation efforts by PI/PD's.

PI/PD's do not have the authority to finalize PHI's negotiation position on any matter (i.e., their negotiations may be overridden, although this is a rare occurrence). Signature authority over contracts, and corresponding authority to approve or disapprove the terms and conditions of agreements, is reserved for specified managers with further limitations depending on the dollar amount of the obligation.

Responsible institutional official: VP of Development and Communications (pre-award), Director of G&C (post-award)
Information contact: Director of G&C

11.10.4. Preparation of Contract Documents (DECEMBER 2006)

It is the policy of PHI to be the party that prepares and initiates contract documents whenever possible. Note that government contracts are ordinarily prepared by the government and offered to the contractor with minimal opportunity for negotiation.

Responsible institutional official: GC

Information contact: Director of G&C

CHAPTER 12: FUNDING AGENCY COMPLIANCE REQUIREMENTS

12.1. EXTERNAL FUNDING (DECEMBER 2006)

PHI's activities are financed almost exclusively from external sources. Support comes in the form of grant awards or contracts. The main funding agencies that support PHI are federal agencies (e.g., USAID, NIH, CDC, USDA, the Department of Education), the California Department of Health Services and other State agencies, and private foundations (e.g., The California Endowment, California Wellness Foundation, California Healthcare Foundation, Packard Foundation, Bill and Melinda Gates Foundation, and Robert Wood Johnson Foundation). The vast majority of these grants and contracts provide for payment on an allowable cost basis, a factor which triggers a number of compliance requirements.

All funding agencies have some basic concerns, e.g., achievement of project objectives or deliverables, approval of program and budget modifications, financial accountability, allowable cost principles, retention and access to records for auditing purposes, ownership of grant or contract-financed property, assuring compliance with crosscutting (i.e., universally applicable) policies, etc. Language that addresses these concerns appears in the compliance provisions of virtually all external contracts or awards. However, the way these issues are addressed varies from one funder to another. In addition, each funding source has some compliance requirements that are particular to them, or to the nature of the award. For example, federal grants contain a provision that requires compliance with title VI of the Civil Rights Act, which prohibits recipients of federal financial assistance from employment and other forms of discrimination in their federally-supported programs on the basis of race, color, or national origin. Federal contracts contain a provision that incorporates by reference Executive Order 11246, which prohibits federal contractors from employment discrimination on the basis of race, color, religion, sex or national origin. Contracts with the State of California include a provision that requires compliance with California Government Code §12990, which prohibits state contractors from employment discrimination on the basis of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave.

The federal and state governments have both crosscutting (i.e., government-wide) compliance requirements and agency or program specific requirements. Federal crosscutting requirements are somewhat different for grants and contracts.

PHI is frequently required to certify at the time of submitting a bid or proposal that it is at present in compliance with certain federal or state requirements, and will remain so during the term of any grant or contract that may be awarded. PHI employees who work in pre-award development should have a general understanding of these certification requirements, and a thorough and detailed knowledge of PHI's compliance with any requirement for which they sign a certification.

PHI employees who work in grants and contract administration should have a general understanding of external funding requirements, and a thorough and detailed knowledge of the compliance requirements applicable to the individual projects for which they have oversight responsibility. Principal Investigators and Project Directors (PI/PDs) should be familiar with the requirements that apply to their projects, and have a detailed knowledge of the specific aspects

of those compliance requirements that require their involvement. It is expected that the PI/PD will have a copy of each award or contract document that funds their projects. Grants and Contracts (G&C) Specialists will provide these documents and conduct orientation to assure that the PI/PD and appropriate project staff have the information they need to manage their compliance responsibilities. As part of this orientation, the G&C Specialist will also explain how the responsibilities are divided between project staff and central PHI staff.

PHI uses a substantial number of subawardees, subcontractors, independent contractors and vendors to carry out externally-funded projects. Compliance requirements initiating with funding agencies must frequently be passed along (i.e. flowed down) to these second-tier institutions and individuals.

This chapter describes the most important funding agency compliance requirements imposed by federal and state government agencies and private foundations, with special attention to the compliance requirements that PHI has to implement by adopting special policies and procedures. Although these materials offer a valuable summary of applicable compliance requirements and a substantially complete listing of the policies and procedures PHI has put into place in order to comply with these requirements, it is not a substitute (especially for senior management and PI/PDs) for a review of the specific award or contract document that provides funding for a particular project.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

12.2. CROSSCUTTING FEDERAL CONTRACT COMPLIANCE REQUIREMENTS (DECEMBER 2006)

It is important to know whether a Federal award is in the form of a grant or a contract, since each has different terms and conditions. The terms and conditions of federal contracts are governed by a maze of statutes and regulations. The Federal Acquisition Regulation (FAR) contains standard rules and clauses for all federal agencies. The following are noteworthy compliance requirements that are almost always included in federal contracts:

- **Equal Employment Opportunity:** (Executive Order 11246): Prohibits contractor from engaging in employment discrimination on the basis of race, color, religion, sex or national origin. Requires contractor to have an affirmative action plan. There are also equal opportunity and affirmative-action requirements for certain veterans in workers with disabilities. Flowdown to lower tiers.
- **Debarment and Suspension:** Requires contractor to certify that it and its principals are not debarred or suspended from receiving federal grants and contracts. Refer to www.epls.gov for a list of parties debarred or suspended from receiving federal grants and contracts. It is required that this flows down to lower tiers.
- **Lobbying (Byrd Amendment):** Prohibits contractor from using federal funds to lobby for a contract and requires disclosure of non-federally funded lobbying. Flowdown to lower tiers.
- **Drug-free workplace:** Requires contractor to establish a drug-free workplace program.
- **Small business subcontracting:** Requires contracts over a certain size to provide maximum practicable opportunity for small businesses to participate as subcontractors. Flowdown to lower tiers.

- **Government property:** Addresses ownership, maintenance and disposition of property acquired under the contract. Usually allows nonprofit research and development contractors to retain ownership of property with an acquisition cost less than \$5,000, e.g., laptop computers.
- **Cost accounting standards and cost and pricing data:** Federal cost reimbursement contracts over a certain size are subject to cost accounting standards (CAS) which had have the effect of dictating the way in which the contractor must maintain its accounting system and account for certain types of costs. The Truth in Negotiations Act (TINA) requires that contracts over a certain size be accompanied by certified cost data. Flowdown to lower tiers.
- **Intellectual property:** Federal contracts with nonprofit institutions contain a standard clause giving the contractor rights to inventions, subject to a variety of conditions. The government has a variety of alternative clauses dealing with copyright and other forms of intellectual property other than patents. Some require the contractor to transfer copyright to the government, while others allow the contractor to retain intellectual property rights with the government obtaining a license. Flowdown to lower tiers.
- **Changes:** Allows the government to unilaterally change the contract terms and conditions. Contractor entitled to equitable adjustment for increased costs.
- **Termination for convenience:** Allows the government to terminate the contract at any time without cause. Contractor entitled to recover performance costs through the date of termination and certain other costs. Flowdown to lower tiers.
- **Audit and records:** Gives the government the right to audit pertinent records, books and other data of the contractor at any time up to seven years after final payment, but only requires the contractor to retain the records for three years after final payment.

Responsible institutional official: Director of G&C
Information contact: Director of G&C

12.3. AGENCY AND AWARD-SPECIFIC FEDERAL CONTRACT REQUIREMENTS (DECEMBER 2006)

Federal contracting agencies have a wide variety of FAR clauses to choose from in assembling contract documents. However, the agencies with which PHI customarily contracts (NIH, CDC) have their own FAR supplements, as well as special clauses dealing with contract specific issues like confidentiality of records. Most of the agency and award specific requirements in federal contracts that are of greatest importance to PHI are similar to the agency and award-specific grant requirements.

Responsible institutional official: Director of G&C
Information contact: Director of G&C

12.4. CROSS-CUTTING FEDERAL GRANT COMPLIANCE REQUIREMENTS (DECEMBER 2006)

The terms and conditions of federal grants are also a maze of statutes and regulations. The government has attempted to create uniform grant requirements comparable to the FAR. Most of these originated as OMB circulars, but are gradually being incorporated into government wide or agency-specific regulations. The following are noteworthy compliance requirements that are almost always included in federal grants:

- **Nondiscrimination:** Prohibits grantee from discrimination in violation of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Title XI of the Education Amendments of 1972 and the Age Discrimination Act of 1975. Flowdown to lower tiers. PHI has a nondiscrimination certification (Form HHS-690) on file with the US Department of Health and Human Services, Office of Civil Rights.
- **Debarment and Suspension:** Requires grantee to certify that it and its principals are not debarred or suspended from receiving federal grants and contracts. This is a required flowdown to lower tiers. Refer to www.epls.gov for a list of debarred or suspended parties.
- **Lobbying (Byrd Amendment):** Prohibits grantee from using federal funds to lobby for an award and requires disclosure of non-federally funded lobbying. Flowdown to lower tiers.
- **Drug-free workplace:** Requires grantee to establish a drug-free workplace program.
- **Administrative requirements:** 2 CFR part 200 (OMB Circular A-110) contains uniform administrative requirements for grants and cooperative agreements with institutions of higher education, hospitals and other nonprofits. Covers financial and program management (e.g., cost sharing, program income, budget and program modifications, in property standards (e.g., insurance, equipment and supplies, intellectual property), procurement standards, reports and records (e.g., financial reports and program performance reports, audit and inspection), termination and closeout. Federal grantor agencies frequently adopt their own versions of OMB circular A-110. For example, the HHS version (NIH, CDC) is at 45 CFR part 74. The USAID version is at 26 CFR part 226. The USDA version is at 7 CFR part 3019. Flowdown to lower-tiers.
- **Cost principles:** Federal grants are almost always awarded on a cost-reimbursement basis. 2 CFR part 230 (OMB Circular A-122) contains allowable cost principles for nonprofit organizations. Flowdown to lower tiers.
- **Independent audit:** Requires grantee to be audited periodically by an independent auditor using audit standards specified in OMB Circular A-133. A copy of the audit report must be furnished to the government. Flowdown to lower tiers. PHI's independent auditor performs an A-133 audit on an annual basis.

Copies of the above-noted OMB circulars are available at <http://www.whitehouse.gov/OMB/>

Responsible institutional official: Director of G&C

Information contact: Director of G&C

12.5. AGENCY AND AWARD-SPECIFIC FEDERAL GRANT REQUIREMENTS (DECEMBER 2006)

OMB circular A-110, which is included in one form or another in virtually all federal grants, constitutes a reasonably complete set of grants administration and compliance requirements. However, federal grantors may also add special requirements. These are often contained in non-regulatory policy documents. For example, NIH's supplementary grant requirements are contained primarily in the NIH Grants Policy Statement. USAID's supplementary grant requirements can be found in the USAID Automated Directives System (ADS <http://www.usaid.gov/policy/ads/>) and Acquisition and Assistants Policy Directives (an index of AAPD is sorted by calendar years, refer to http://www.usaid.gov/business/business_opportunities/cib/year/2006.html).

Responsible institutional official: Director of G&C
Information contact: Director of G&C

12.6. NIH RESEARCH-RELATED COMPLIANCE REQUIREMENTS (DECEMBER 2006)

NIH grants incorporate a number of compliance requirements that come from the Public Health Service Act, annual HHS appropriations legislation or NIH research policy. The issue of compliance in all its aspects is very important to NIH. HHS strongly encourages all recipients of NIH research grants to establish a compliance program. Some noteworthy NIH research compliance requirements that apply to PHI's programs are determined below.

Responsible institutional official: Director of G&C
Information contact: Director of G&C

12.6.1. Code of Conduct (DECEMBER 2006)

Requires grantees to have a general code of conduct that addresses outside activities by employees and consultants and requires prior review and approval by an institutional official. PHI's policy is in Chapter 3 of this Manual.

Responsible institutional official: SVP/COO
Information contact: Director of HR

12.6.2. Financial Conflict of Interest (DECEMBER 2006)

Requires grantees to have standards to assure that the design, conduct and reporting of research will not be biased by conflicting financial interests of investigators. PHI has adopted a financial conflict of interest policy.

Responsible institutional official: SVP/COO
Information contact: VP of Development and Communications
Cross Reference: [Research Conflict of Interest Policy](#)

12.6.3. Research Misconduct (DECEMBER 2006)

Requires grantees to adopt administrative policies to investigate and resolve promptly and fairly apparent or alleged research misconduct, and to appoint an institutional official to conduct investigations. PHI has adopted a research misconduct policy.

Responsible institutional official: SVP/COO

Information contact: GC

Cross-reference: [Research Conflict of Interest Policy](#)

12.6.4. Human Subjects (DECEMBER 2006)

Requires grantees to provide the government with a written assurance that it is committed to policies and procedures that systematically safeguard the rights and welfare of individuals who participate as subjects in research activities supported by the federal government. The grantee must establish an Institutional Review Board (IRB) to review and approve proposed human subjects research.

Responsible institutional official: President/CEO

Information contact: IRB Administrator

*Cross Reference: [Institutional Policy for Protection of Human Subjects](#)
[IRB Guidelines for Investigators](#)*

12.6.5. Education in the Protection of Human Subjects (DECEMBER 2006)

Requires grantees to establish a system of training in the protection of human subjects for key personnel in research projects involving human subjects.

Responsible institutional official: President/CEO

Information contact: IRB Administrator

Cross Reference: [Human Subjects Education Policy](#)

12.6.6. Privacy and Confidentiality (DECEMBER 2006)

NIH grants include several provisions that require grantees to maintain the confidentiality of information obtained in the conduct of the project, and to comply with various privacy, freedom of information and related rules.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

12.7. USAID GRANT COMPLIANCE REQUIREMENTS (DECEMBER 2006)

USAID grants incorporate a number of public policy requirements that come from the Foreign Service Act, USAID appropriations legislation, or the agency's internal concerns. USAID's grant compliance requirements can generally be found in the ADS or AAPD's. Some noteworthy USAID grant compliance requirements applicable to PHI:

- Voluntary Population Planning and Mexico City Policy addendum): Requires grantees not to use award funds to finance or support abortion, nor furnish assistance to foreign nonprofits that perform or promote abortion. Flowdown to lower tiers.

- **Marking and Branding Policy:** Requires grantees to mark overseas communications and activities with USAID's logo and to obtain USAID approval for a branding strategy that describes how the program will be promoted overseas. Flowdown to lower tiers.
- **Medically accurate condom information, etc.:** Requires grantee to provide accurate information about condom usage and forbids requiring endorsement of multisectoral approach to combating HIV/AIDS or prevention methods to which the organization has religious or moral objections.
- **Promotion, Support or Advocacy of Prostitution or Sex Trafficking:** Prohibits grantee from using federal funds to promote or advocate legalization or practice of prostitution or sex trafficking, and requires grantee to have a policy explicitly opposing prostitution and sex trafficking.
- **Terrorist Financing Certification:** Requires grantee to certify that it does not and will not knowingly provide support or resources to terrorists.
- **Prohibition on Assistance to Drug Traffickers:** Provides for withdrawal of assistance to grantees engaged in drug trafficking.

Responsible institutional official: Director of G&C
Information contact: Director of G&C

12.8. CROSS-CUTTING STATE OF CALIFORNIA CONTRACT REQUIREMENTS (DECEMBER 2006)

The terms and conditions of state contracts are not as uniform as federal contracts and grants. In addition, they are contained in informal policy documents rather than regulations. The California Department of General Services has developed a Contract Manual for internal use that provides useful information for contractors on state contracting policies and procedures. The DGS Office of Legal Services has also developed uniform clauses for all state contracts. These materials are available at <http://www.ols.dgs.ca.gov/Contract+Manual/default.htm> and <http://www.ols.dgs.ca.gov/Standard+Language/default.htm>. The State of California does not customarily make grant awards, although some state contracts may be denominated as grants. The following are noteworthy compliance requirements that are almost always included in state contracts:

- **Nondiscrimination:** Prohibits contractors from discrimination in employment on the basis of sex, race, color, ancestry, religious creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (cancer), age (over 40), marital status, and denial of family care leave. Flowdown to lower tiers.
- **Indemnification:** Requires the contractor to indemnify, defend and save harmless the State from claims and losses to third parties resulting from the performance of the contract.
- **Audit and inspection:** Gives the states the right to inspect the contractor's books and records, and requires record retention for three years after final payment. Flowdown to lower tiers.

Responsible institutional official: Director of G&C
Information contact: Director of G&C

12.9. AGENCY-SPECIFIC CALIFORNIA DEPARTMENT OF HEALTH SERVICES CONTRACT REQUIREMENTS (DECEMBER 2006)

The Department of Health Services has two sets of standard contract clauses. The Exhibit D(C) is used for contracts funded by state general funds. The Exhibit D(F) is for contracts whose funding originates with the federal government. The two are substantially similar. They reflect the general concerns of funding agencies, e.g., financial and budget management, ownership of physical and intellectual property, auditing and inspection, procurement of goods and services, etc. Copies of the Exhibit D(F) and D(C) are available from the Grants and Contracts Department.

Responsible institutional official: Director of G&C
Information contact: Director of G&C

12.10. PRIVATE FOUNDATION GRANT REQUIREMENTS (DECEMBER 2006)

Private foundations have relatively simple grant requirements. Public policy requirements like nondiscrimination are not applicable, and foundations tend not to have as restrictive financial and budgetary controls as government agencies. A unique private foundation requirement is that the grantee must not use foundation funds for electioneering (participation in political campaigns) or lobbying (as defined in IRS regulations governing lobbying by exempt organizations). For more information on foundation restrictions on lobbying, see cross-reference hyperlink to PHI's Lobbying and Advocacy Guidelines.

Responsible institutional official: Director of G&C
Information contact: GC
Cross-references: [PHI Lobbying and Advocacy Guidelines](#)

12.11. ROLE OF PHI ADMINISTRATION AND PI/PDS FOR CONTRACT ADMINISTRATION (DECEMBER 2006)

Awards are made to the Public Health Institute (PHI). PHI is therefore broadly responsible for the completion of projects, and for compliance with funders' requirements, as outlined above and detailed in referenced publications.

PHI's PI/PD community accepts the responsibility for programmatic compliance with funders' requirements. PHI's administrative staff monitors overall compliance with these requirements. These activities include not only educating PI/PDs about their award requirements, but assuring that both programmatic and fiscal reports are forwarded to the funders as required, that expenditures meet funder constraints and are appropriate to the awarded budget, that human subjects requirements are met for research projects including human participants, that programmatic and/or budgetary changes are requested in a timely fashion, that all sub-awards and subcontracts are efficiently executed and include all required elements. In short, the role of the G&C Specialist is to subtly, but continuously, monitor all project activities.

PHI's administrative staff, represented first by the G&C Specialists assigned to individual activities, relies on its continuous and reciprocal communications with the PI/PDs to make sure that funder requirements are met, and programs carried out smoothly. It is the PI/PDs responsibility to make sure that G&C staff are notified early of any difficulties encountered during the project period, so that appropriate action can be taken as needed if modifications to

program elements or budget are needed, or if additional time will be required for completion of a project.

Program administration must be a shared effort and responsibility of the project personnel, represented by the PI/PD, and PHI administrative staff, represented by the G&C Specialist. By working together and in parallel on their separate tracks, they can assure that program goals are achieved, awarded funds are expended efficiently and an ongoing relationship may be maintained with funders for the benefit of our communities.

Responsible institutional official: Director of G&C

Information contact: Director of G&C

CHAPTER 13: CORPORATE COMMUNICATIONS

The purpose of PHI Corporate Communications is to build the PHI Brand and promote the value and successes of its activities in saving lives, improving well being, and in building community. Under the direction of the Vice President of Development & Communication, the Communications Department builds corporate identity and promotes its centers, programs and projects through a range of electronic and print mediums and participation in national, state, and local convenings.

*Responsible Institutional Official :VP Development & Communications
Information Contact: Communications Manager*

13.1 PEOPLE/BIOGRAPHY STATEMENTS (DECEMBER 2006)

The Communications Department maintains biographical narratives of members of the Board of Directors, senior management, PIs, and PDs, and selected key staff. Bios are used on multiple channels including the public website, intranets, and both internal and external newsletters to promote PHI capabilities.

*Responsible Institutional Official: Communications Manager
Information Contact: Communications Specialist*

13.2 PROJECT DESCRIPTIONS (DECEMBER 2006)

Using project descriptions and characteristics provided to the Development Department by PIs and PDs, the Communications Department maintains a database of organizational capabilities. PIs, PDs and program staff are asked to update these project description for use in reports to the Board of Directors and in promotional materials including the public website and the newsletter.

*Responsible Institutional Official: Communications Manager
Information Contact: Communications Specialist*

13.3 NEW RELEASES (DECEMBER 2006)

The Communications Department should develop or review all news releases to assure consistency of language, format, style, and corporate brand attributes.

Communications staff posts the news and/or press releases on the PHI website and has the capability to send it to the media and the newswire for public broadcast as appropriate.

PHI Communications Manager should be listed as the main contact person to triage media calls. Media calls that go directly to the program staff should be communicated to the Communications Manager.

*Responsible Institutional Official: Communications Manager
Information Contact: Communications Specialist*

13.4 MEDIA RELATIONS (DECEMBER 2006)

PHI Communications Manager has built a strong relationship with the media and will continue to cultivate the relationship with national and local reporters. Reporters often call the PHI Communications Department for interviewing resources. PHI Communications Manager may call on program and project staff for their expertise to respond to these calls.

Responsible Institutional Official: Communications Manager
Information Contact: Communications Specialist

13.5 NEWSLETTERS (DECEMBER 2006)

PHI Communications Department produces printed newsletters to promote its programs and projects and to inform our larger network of activities underway and of results coming from research and evaluation projects. Program and project staff may be asked to contribute stories, milestones and updates about their programs. The Communications Department sends out more than 1000 copies via US mail to partners, funders, and constituents. Thousands receive the newsletter by email. An online version of the newsletter is available on the website.

Responsible Institutional Official: Communications Manager
Information Contact: Communications Specialist

13.6 ANNUAL REPORT (DECEMBER 2006)

The PHI Communications Department produces an annual report to demonstrate PHI's work to its funders. The annual report contains an overview of PHI, a capability summary, and a financial statement. The annual report is available online and in print.

Responsible Institutional Official: Communications Manager
Information Contact: Communications Specialist

13.7 WEBSITES (DECEMBER 2006)

PHI Communications Department manages content for two websites: public and Extranet. The public website is a vehicle for the general public to learn about PHI and its work. The Extranet - PHI Online Program Support, contains internal information that should only be used by PHI employees, and PIs/PDs.

Responsible Institutional Official: Communications Manager
Information Contact: Communications Specialist

13.8 STYLE GUIDE (DECEMBER 2006)

PHI programs and projects are encouraged to note their partnership with the organization in online and print materials. Organizations affiliated with PHI may use the organization's logo, provided no alterations are made to its color and form.

Responsible Institutional Official: Communications Manager
Information Contact: Communications Specialist
Cross Reference: http://online.phi.org/communications/style_guide.aspx

13.9 BUSINESS CARDS (DECEMBER 2006)

There are two general designs for our standard business cards, one for the corporate office administrative staff, and one for the program staff. Other designs may occasionally be considered if required by the grant.

When printed on PHI stock paper, business cards need to maintain the consistent style, format and color that reflect the corporate image.

The PHI website should be printed on the card when appropriate. The Communications Department needs to approve any design changes on the standard card.

Programs can use their design and paper to print business cards when the programs' purposes would be better served to do so. In the absence of this need, use of PHI name, logo and website on the card is expected.

Responsible Institutional Official: Communications Manager

Information Contact: Communications Specialist

13.10 AD HOC REPORTS AND PRESENTATIONS TO BOARD & POTENTIAL PARTNERS (DECEMBER 2006)

The Communications Department creates reports on, or provides material for presentations of organizational capabilities based on project descriptions and characteristics provided by PIs and PDs. PI/PDs or their delegates will be asked to update information periodically so that these reports reflect the current status of the project.

Responsible Institutional Official: Communications Manager

Information Contact: Communications Specialist

CHAPTER 14: ADVOCACY AND LOBBYING

14.1. LOBBYING AND ADVOCACY (DECEMBER 2006)

Management and project staff are permitted to engage in advocacy and lobbying on behalf of PHI that has been approved in advance by the BOD. Management and PI/PDs have been approved to engage in advocacy on behalf of PHI and its programs without further approval of the BOD as long as their advocacy efforts do not constitute lobbying under any applicable law or regulation. Lobbying activities generally require approval. The BOD has established criteria for lobbying and a multilevel system of approvals. See cross-reference for details.

Responsible Institutional Official: VP of External Relations

Information Contact: Administrative Assistant to VP of External Relations

Cross-references: [PHI Lobbying and Advocacy Guidelines](#)

14.1.1. Lobbying and Advocacy Reporting (DECEMBER 2006)

Lobbying activities and expenditures by PHI may be reportable by PHI to the IRS and the California Fair Political Practices Commission. Management and project staff must provide information about their lobbying activities to PHI so that reports can be properly completed. In addition, management and project staff must report information to PHI about advocacy on controversial topics.

Responsible Institutional Official: GC

Information Contact: GC

Cross-references: [PHI Lobbying and Advocacy Guidelines](#)

CHAPTER 15: HEADQUARTERS SECURITY

15.1. GENERAL OFFICE SECURITY (DECEMBER 2006)

During normal business hours, all visitors are required to check in with the receptionist. After hours, a security key is required for access to the offices of PHI. Keys are issued only to employees of PHI.

*Responsible Institutional Official: SVP/COO
Information Contact: Office Administrator*

15.2. ACCOUNTING DEPARTMENT SECURITY (DECEMBER 2006)

The PHI Accounting Department is located in a commercial, multi-storied office building along with other administrative departments and some project personnel. While the Accounting Department is not in a secure, lockable area, access to the PHI floor of the building is limited by access card. Confidential accounting original documents are locked in the evenings and whenever the Accounting Department is vacant. The keys to this lock information are provided to all accounting personnel.

The PHI blank check stock shall be stored in a secure 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 Controller and the Accounts Payable Supervisor and his/her designee.

Petty cash is stored in a drawer locked with a key. The Petty Cash Custodian, Controller and the Director of HR will be the only employees with keys to the petty cash drawer.

*Responsible Institutional Official: Controller
Information Contact: Controller*

15.3. ACCESS TO ELECTRONICALLY STORED ACCOUNTING DATA (DECEMBER 2006)

It is the policy of PHI 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.

Accounting personnel are expected to keep their passwords secret and to change their passwords on a regular basis. Each password enables a user to gain access to only those software and data files necessary for each employee's required duties.

*Responsible Institutional Official: Controller
Information Contact: Controller*

15.4. STORAGE OF BACK-UP FILES (DECEMBER 2006)

It is the policy of PHI to maintain back-up copies of electronic data files off-site in a secure, fire-protected environment. Access to back-up files shall be limited to individuals authorized by management.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

CHAPTER 16: INFORMATION TECHNOLOGY AND ELECTRONIC COMMUNICATIONS

16.1. INTRODUCTION (DECEMBER 2006)

Each employee is responsible for complying with PHI's workplace information technology policies, using PHI's information technology resources in a manner that is productive, maintains PHI's public image, and is respectful of other employees. The policies set forth in this chapter represent basic rules and guidelines for use and security of PHI workplace information technology.

PHI workplace IT technology resources consist of all electronic devices, software, and means of electronic communication including, but not limited to: personal computers and workstations; laptop computers; mini and/or server computers; computer hardware such as disk drives and tape drives; peripheral equipment such as printers, modems, fax machines, and copiers; computer software applications and associated files and data, including software that grants access to external services, such as the Internet; electronic mail; telephones; cellular phones; pagers; and voicemail systems owned, leased or used by PHI for business purposes wherever physically located.

For purposes of this chapter, "employee" refers not only to PHI employees but to any person authorized by PHI to access or use PHI workplace IT resources.

Responsible Institutional Official: SVP/COO
Information Contact: Director of HR

16.2. OWNERSHIP OF WORKPLACE IT (DECEMBER 2006)

All workplace information technology, information stored on workplace IT resources and all communications and other activity conducted over PHI's workplace IT systems are the property of PHI.

Responsible Institutional Official: SVP/COO
Information Contact: Director of HR

16.3. APPLICABILITY OF IT POLICIES (DECEMBER 2006)

All PHI employees are expected to comply with the policies set forth or cross-referenced in this chapter. Individual PHI projects may adopt more restrictive policies as necessitated by the special needs of the project. A copy should be provided to the SVP/COO.

PHI employees who are assigned to programs and projects located in State of California or U.S. government offices are expected to follow the IT policies of the host institution in addition to these policies.

Responsible Institutional Official: SVP/COO
Information Contact: Director of HR

16.4. ACCESS AND APPROPRIATE USE (DECEMBER 2006)

PHI's Personnel Policy Manual addresses personal use of PHI Workplace IT resources. In addition, the following policies apply to access and use of PHI workplace IT resources by employees and other users.

Responsible Institutional Official: SVP/COO

Information Contact: Director of HR

Cross-references: [Personnel Policy Manual](#)

16.4.1. Access to Information Technology Resources (DECEMBER 2006)

PHI workplace IT resources are configured and supported with the express purpose of performing company business functions. Personal customization settings generally related to individual use, such as desktop background, accessibility settings and personal voice-mail greetings, are allowed. Users should not install, change or upgrade any component without supervisory approval. Computer accounts, passwords, web site access, and other types of authorization are assigned to individual users and should not be shared with others. When an individual's employment at PHI ends, their access authorization terminates.

Responsible Institutional Official: SVP/COO

Information Contact: SVP/COO

16.4.2. Management Access to Workplace IT Resources (DECEMBER 2006)

Employees have no right of privacy with respect to any messages or information created or maintained on the company's workplace IT resources, including personal information or messages. PHI has the right in its sole discretion to access and inspect at any time and without notice to any person all of its workplace IT resources including without limitation its computers, networks, voicemail and electronic mail systems, files, records, data, communications, and messages sent and received.

PHI has the right in its sole discretion at any time and without notice to any party to monitor any and all usage of its workplace IT resources including but not limited to sites visited by users on the Internet, chat groups, newsgroups, and downloaded or uploaded software to determine compliance with these policies, for purposes of legal proceedings, to investigate misconduct, to locate information, or for any other business purpose. PHI may use automated software to monitor usage of its workplace IT resources.

Employees should assume that any communication - whether business related or personal - that they create, send, receive, or store on PHI's workplace IT resources may be read or heard by someone other than the intended recipient. In particular, highly confidential or sensitive information should not be sent through e-mail, the Internet, or the World Wide Web.

PHI has the right in its sole discretion to keep an employee's e-mail address active following an employee's departure from the company to ensure that important business communications reach the company.

Responsible Institutional Official: SVP/COO

Information Contact: Director of HR

16.4.3. Appropriate Use of Computer Software (DECEMBER 2006)

Most software that resides on PHI computing network(s) is owned by PHI, or third parties, and is protected by copyright and other laws, together with licenses and other contractual agreements. Employees are expected to respect and abide by the terms and conditions of software use and redistribution licenses. Such restrictions may include prohibitions against copying programs or data for use on PHI computing network(s) or for distribution outside the company; the resale of data or programs, or the use of them for financial gain; and public disclosure of information about programs (e.g., source code) without the owner's authorization.

Access to the Internet enables users to download a wide variety of software products for a fee as shareware or for free. Employees are expected to fulfill all license and copyright obligations of downloaded software.

The use of unlicensed software on PHI workplace IT resources is prohibited. All software in use on the company's information technology resources must be officially licensed software. Authorization for loading software onto the company's computers should not be given until the software to be loaded has been thoroughly scanned for viruses.

Although some software licenses allow software to be used on portable computers and home computers in addition to office computers, before transferring or copying any software from a company information technology resource to another computer, employees should request authorization from their supervisor.

Responsible Institutional Official: SVP/COO
Information Contact: Director of HR

16.4.4. E-Mail Retention (DECEMBER 2006)

E-mail is a generic term and does not refer to any particular type of record. However, most e-mail is typically considered to be correspondence. Records in e-mail systems include not only the messages sent and received, but also the transmission and receipt data as well. Since e-mail is considered a usually type of correspondence, e-mail retention periods should agree with company records retention policy.

All employees are responsible for retaining e-mails. Employees are also responsible for deleting drafts and non-business e-mail messages once they are no longer needed. Don't assume that even though you have deleted e-mail messages that they cannot be recovered.

Responsible Institutional Official: SVP/COO
Information Contact: Director of HR

CHAPTER 17 MISCELLANEOUS POLICIES

17.1. OFFICE SPACE AND OFFICE LEASING (DECEMBER 2006)

All of PHI's offices are leased (some PHI employees work in government office buildings). Although a small number of projects are located in the same suite as PHI headquarters, the majority are in other locations (primarily Oakland/Emeryville, Sacramento and Washington D.C.).

PHI headquarters can provide some assistance to projects in locating appropriate office space and negotiating leases. However, most of the responsibility for identifying space needs, comparing available options, negotiating rent and other basic lease terms, and deciding what tenant improvements or other amenities are available within the project budget, etc. are the responsibility of the PI/PD. If a project is leasing space with tenant improvements, the PI/PD is responsible for developing and approving build-out plans and specifications and overseeing the construction process.

The office of the SVP/COO is responsible for advising the project on lease terms and conditions, negotiating "boilerplate", and executing of leases. PI/PDs are advised to consult with management well before entering the leasing market or commencing renegotiation of an existing lease. There may be an existing project with available space, or opportunities for consolidation. Management recommends that PI/PDs use the services of a qualified commercial real estate broker to assist in identifying available properties and negotiation of basic lease terms. PHI offices are generally located in Class A commercial space. PHI does not lease office space that it judges to be lacking in basic amenities or out of compliance with code, ADA or other legal requirements.

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Coordinator to SVP/COO

17.2. INSURANCE (DECEMBER 2006)

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Coordinator to SVP/COO

17.2.1 Coverage Guidelines (DECEMBER 2006)

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 PHI.

PHI maintains the following types of insurance:

Type of Insurance	Coverage Guidelines
Business Property	Replacement value, \$1,000 deductible
Business Income, including Extra Expense	Estimated expenses, per location
Computer EDP	Replacement value, \$1,000 deductible
Accounts Receivable	\$50,000
Valuable Papers	\$1,000,000

Type of Insurance	Coverage Guidelines
Inland Marine	\$8,000
Commercial Crime	\$4,200,000
Commercial General and Excess Liability	\$7,000,000
Employee Benefits Liability	\$2,000,000
Business Automobile	\$1,000,000
Directors and Officers Liability	\$3,000,000 with varying deductibles
Employee Dishonesty	\$250,000
Workers Compensation	As required by law
Earthquake (Difference in Conditions)	\$5,000,000 with \$25,000 deductible

PHI maintains a detailed listing of all insurance policies in effect. This listing shall include the following information, at a minimum:

- Description (type of insurance)
- Agent and insurance company, including all contact information
- Coverage and deductibles
- Premium amounts and frequency of payment
- Policy effective dates
- Date(s) premiums paid and check numbers

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Coordinator to SVP/COO

17.3. RECORD RETENTION (DECEMBER 2006)

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Assistant to SVP/COO

17.3.1 Policy (DECEMBER 2006)

It is PHI's policy to retain records as required by law and to destroy them when appropriate. The formal records retention policy of PHI is as follows:

Type of Document	Retention Period
Accident reports/claims (settled Cases)	7 Years
Accounts payable ledgers and schedules	7 Years
Accounts receivable ledgers and schedules	7 Years
Audit reports	Permanently
Bank reconciliations	3 Years
Bank Statements	3 Years
Chart of Accounts	Permanently
Cancelled Checks	7 Years
Contracts, mortgages, notes and leases:	
Expired	7 Years
Still in effect	Permanently
Correspondence:	

Type of Document	Retention Period
General	2 Years
Legal and important matters only	Permanently
Routine with customers and/or vendors	2 Years
Deeds, mortgages and bills of sales	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	3 Years
Employment applications	3 Years
Expense analyses/expense distribution schedule	7 Years
Financial statements:	
Year end	Permanently
Other	Optional
Garnishments	7 Years
General ledgers/year end trial balance	Permanently
Original insurance policies	20 Years
Insurance records (copies of policies, claims, etc.)	7 Years
Internal audit reports	3 Years +
Internal reports	3 Years
Inventories of products, materials and supplies	7 Years
Invoices (to customers, from vendors)	7 Years
Journals	Permanently
Minute books of directors, bylaws and charters	Permanently
Notes receivable ledgers and schedules	7 Years
Payroll records and summaries	7 Years
Personnel records (terminated)	7 Years
Petty cash vouchers	3 Years
Physical inventory tags	3 Years
Property records (incl. depreciation schedules)	Permanently
Purchase orders:	
Purchasing department copy	7 Years
Other copies	1 Year
Receiving sheets	1 Year
Retirement and pension records	Permanently
Requisitions	1 Year
Sales records	7 Years
Subsidiary ledgers	7 Years
Tax returns and worksheets, examination reports and other documents relating to determination of income tax liability	Permanently
Time sheets/cards	7 Years
Trademark registrations and copyrights	Permanently
Training manuals	Permanently
Voucher register and schedules	7 Years
Withholding tax statements	7 Years

Responsible Institutional Official: SVP/COO

Information Contact: Administrative Assistant to SVP/COO