

CORPORATE POLICY MANUAL



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Section 1

Introduction

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1. INTRODUCTION

1.1. Content

This manual contains the official policies and general procedures of the Research Foundation for Mental Hygiene, Inc. [RFMH] It is applicable to all RFMH activities, directors, members, officers and personnel at any location. It takes precedence over any local policies and prior practices which conflict with these policies.

1.2. Principal Investigator/Project Director

Throughout this policy manual there are references to responsible parties that are titled Principal Investigators or Project Directors. For the purpose of this manual, those titles are interchangeable. Principal Investigators and Project Directors are the individuals designated by RFMH to direct the projects or activities supported by an account established within RFMH's accounting system. He or she is responsible and accountable to RFMH and sponsor, if applicable, for the proper conduct of the project or activity. He or she may within established RFMH policies delegate certain administrative duties, however, ultimate responsibility for ensuring adherence to RFMH and sponsor policies remains with the Principal Investigator or Project Director.

1.3. Procedures

Specific procedures for maintaining RFMH administrative records, especially computer records, and other administrative matters are contained in separate procedure manuals.

1.4. New Material

New material is issued only after approval of the Managing Director of RFMH acting upon the authority of RFMH's Board of Directors. No changes in, or additions to this manual shall have any affect unless they are so issued.

1.5. Transmittal of Updates

New or revised material will be sent to manual holders with a transmittal memorandum which will describe the new, revised and superseded material. New material should be interfiled in the proper section of the manual. The Table of Contents should be replaced as applicable. Superseded material should be removed or destroyed. (RFMH's Central Office will retain a reference copy of superseded material). The most recent transmittal memorandum shall be filed in the front of the manual and destroyed when a later transmittal memorandum is received. Each manual holder shall designate an individual with the responsibility for maintaining this manual.

1.6. Identifying Updates

When first issued, the status of new or revised material will be identified by "new" or "revised" and the date to the right of the topic title.

1.7. Distribution

Distribution is limited to sites with administrative responsibility for a significant number of RFMH projects. Initial distribution will be to RFMH's Central Office and to each Research Institute.

1.8. Suggestions and Corrections

Please bring your suggestions for corrections and improvements to the attention of:

Managing Director
Research Foundation for Mental Hygiene, Inc.
Riverview Center, 150 Broadway, Suite 301
Menands, NY 12204
(518) 474-5661

1.9. History, Purpose and Goals

The Research Foundation for Mental Hygiene, Inc. is a not-for-profit membership corporation originally chartered under the laws of New York State in 1952. Its corporate purposes as contained in its Charter and By-Laws are:

- 1.9.1. To be the organization authorized by the Office of Mental Health, Office for People With Developmental Disabilities and Office of Addiction Services and Supports of New York State Department of Mental Hygiene (DMH) to assist in developing and increasing the facilities of New York State DMH, its Offices and Divisions, the institutions, commissions, boards and agencies within such Department or associated therewith to provide more extensive conduct of studies, teaching, training and research into the causes, nature and treatment of diseases, disorders and defects affecting the mind, brain and nervous systems and to discover and apply more efficient measures of prevention, treatment and cure of nervous and mental disorders by encouraging gifts, grants, bequests, devices, contributions and donations of real and personal property to the corporation for such purposes;
- 1.9.2. To receive, hold and administer gifts or grants for the purposes of the corporation in keeping with the research, prevention and treatment purposes and objectives of New York State Department of Mental Hygiene, its Offices and Divisions, the institutions, commissions, boards and agencies within such Department or associated therewith;
- 1.9.3. To conduct and finance the conduct of studies, teaching, training, and research in any and all fields of the arts and sciences and in keeping with the purposes and objectives of New York State Department of Mental Hygiene, its Offices and Divisions, the institutions, commissions, boards and agencies within such Department or associated therewith;
- 1.9.4. To acquire, take and hold, by bequest, devise, grant, gift, purchase, exchange, lease, transfer, judicial order or decree or otherwise, any property, real, personal or mixed, without limitations as to amount or value, except such limitation, if any as may be now or

hereafter specifically prescribed by law; to borrow money, sell, mortgage, exchange, reconvey, transfer to otherwise dispose of any such property; to administer, invest and reinvest its property and deal with and expend the income and principal of the corporation in such manner as will in the judgment of the directors best promote the objectives and purposes of the corporation; to make, sign and execute any agreements or instruments and perform any acts that may be in the judgment of the directors necessary, desirable or proper to carry out the purposes and objectives of the corporation, to engage the services of such expert, administrative and clerical personnel as the directors deem necessary and fix their compensation within the amounts made available for such purposes by the directors.

1.10. Organization

RFMH is governed by a Board of Directors consisting of 23 people from within and outside of DMH. Directors are elected for four-year terms. There are seven corporate officers: President, Vice-President, Secretary, Assistant Secretary, Managing Director, Deputy Managing Director, Treasurer and Deputy Treasurer. The Managing Director and Deputy Managing Director are the only paid officers. The Managing Director is the Chief Executive Officer responsible for the day-to-day operations of the Corporation.

RFMH consists of the four Divisions which include the three DMH Research Institutes plus the “All Other Division”. The Research Institutes are the New York Psychiatric Institute, located in New York City, the Nathan S. Kline Institute for Psychiatric Research located in Rockland County, New York; and the Institute for Basic Research in Developmental Disabilities located in Staten Island, New York. The “All Other Division” is comprised of activity conducted outside the Research Institutes.

1.11. Membership

The membership of RFMH is comprised of three classes: active members, contributing or supporting members and honorary members. Members are similar to stockholders in a profit-making corporation. The principal duty of the membership is to elect the Directors of the Corporation. The largest class of membership is active membership. The number of members varies from time to time, depending on how many individuals meet the following eligibility standards:

- 1.11.1. Active members shall be New York State or RFMH employees at the Research Institutes of the DMH working at least half time in State grade 22 positions or higher, or RFMH equivalent, who are actively engaged in conducting, directing or administering research projects or programs.
- 1.11.2. Contributing or supporting members may include persons who, by contribution, bequest, gift or other assistance, have significantly contributed to the purposes of RFMH.
- 1.11.3. Honorary members may include former members of either of the preceding classes, or additional persons whom RFMH may wish to recognize or honor because of personal achievement or professional distinction.

Section 2

General Policies

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2. GENERAL POLICIES

2.1 Rules of Conduct

The Research Foundation for Mental Hygiene, Inc.'s [RFMH] reputation for quality and integrity in business dealings has been carefully built since 1952. While in service to RFMH, all officers, directors, employees, members and agents shall conduct themselves in a responsible manner. All parties representing RFMH are expected to show concern, consideration and respect to co-workers, research subjects, clients and the community at large. We encourage participation in activities that bring credit to and enhance the reputation of RFMH. Participation in activities that defame the reputation of RFMH may subject those involved to disciplinary action and disbarment from RFMH activities.

2.2 Conflict of Interest

No officer, director, employee, member or agent of RFMH shall:

- 2.2.1. have any interest, financial or otherwise, direct or indirect; engage in any business or transaction or professional activity; or incur any obligation of any nature that is in substantial conflict with the proper discharge of their duties in the best interest of RFMH.
- 2.2.2. have any financial interest that will, or may be reasonably expected to, bias the design, conduct, or reporting of sponsored programs.
- 2.2.3. accept other employment that will impair their independence of judgment in the exercise of their duties and responsibilities.
- 2.2.4. accept employment or engage in any business or professional activity that will require them to disclose information acquired through their position or authority that is confidential and proprietary to RFMH.
- 2.2.5. neither disclose information confidential to RFMH acquired by them in the course of their duties, except as required by law, nor use such information to further their personal interests, unless such information was previously made public.
- 2.2.6. use or attempt to use their position to secure undue privileges or exemptions for themselves or others.
- 2.2.7. engage in any transaction as a representative or agent of RFMH with any business entity in which they, their spouse, significant other, dependent, family member, or any business partner(s), have a direct or indirect financial interest that may impair or conflict with the proper discharge of their duties and responsibilities.
- 2.2.8. sell, contract for, or provide goods or services to RFMH in connection with a corporation, firm, or association of which they, their spouse, significant other, dependent, family member, or any business partner(s) is a member, for a program or project administered

through RFMH in a manner that is inconsistent with RFMH's established procurement policy.

- 2.2.9. by their conduct present reasonable basis for the impression that any person can improperly influence, coerce or unduly enjoy their favor in performance of their duties, or that they are affected by the kinship, rank, position or influence of any party or person.
- 2.2.10. hold personal investments in enterprises that they have reason to believe may be directly involved in decisions made by them, or that will otherwise create conflict between their duties in the best interest of RFMH and their private interest.

2.3 Non-Discrimination

RFMH is committed to protecting the legitimate interests of its employees to work in an environment that is free of discrimination. The policy and procedure regarding allegations of discrimination has been established to ensure that the work environment for all employees at RFMH is free of discrimination. Further, to ensure that those people who feel they have been discriminated against, have the independent resources available to resolve the situation.

Employees will not be discriminated against on the basis of age, race, color, creed, religion, national origin, disability, military status, marital status, sexual orientation, or gender, except where there is a bona fide occupational qualification.

When a person believes that he or she has been the victim of discrimination, the management of RFMH is committed to addressing the allegation as quickly as possible. A complainant will not be retaliated against or treated adversely in any way, for participating in an allegation of discrimination. To the extent possible, the confidentiality of discrimination complaints will be maintained.

2.4 Execution of Legal Documents

The Managing Director is designated by the Board of Directors, through the corporate by-laws, as the officer authorized to execute legal documents (contracts, agreements, leases, purchase orders, grant applications, rental agreements, etc.) on behalf of RFMH. In his or her absence, the Deputy Managing Director may execute legal documents.

The Managing Director has designated the Institute Directors and Deputy Directors for Administration as authorized to sign grant applications on behalf of RFMH. Further, the Institute Directors and Deputy Directors for Administration, or their designees are authorized to execute purchase orders for purchases on local grants, projects and administrative accounts. The Institute is responsible for establishing procedures to ensure purchases are approved by authorized personnel and made in accordance with established procurement guidelines and sponsor requirements.

No other officer, director, employee, member or agent is authorized to legally bind the corporation, either verbally or in writing, without the written approval of the Managing Director. Violation of this policy by an officer, director, employee, member or agent may result in disciplinary action, termination and legal remedies by RFMH.

2.5 Bank Account Establishment

All bank accounts established in the name of RFMH must be approved by the Treasurer, Deputy Treasurer, Managing Director or Deputy Managing Director. All bank accounts must have one or more of the aforementioned four corporate officers as a signatory on the account. If the bank account is being established for use within the United States, the bank must be insured by the Federal Deposit Insurance Corporation (FDIC).

2.6 Insurance

2.6.1. Directors and Officers Liability Insurance

Directors and Officers Liability Insurance with a minimum coverage limit of \$5 million will be maintained by RFMH at all times unless and until changed by a majority vote of the Board of Directors.

2.6.2. General Liability Insurance

General Liability Insurance with a minimum coverage of \$1 million per occurrence and \$3 million in the aggregate will be maintained by RFMH at all times unless and until changed by a majority vote of the Board of Directors.

2.6.3. Professional Liability Insurance

Professional liability insurance is provided for those medical professionals that see patients or research subjects over the course of their research work.

2.6.4. Personal Automobile Use Insurance

RFMH carries a non-owned automobile insurance policy to protect RFMH against claims and losses while engaged in RFMH business. In the event of an accident, the underlying coverage on the personal automobile becomes primary for the payment of any claims. If the driver of the automobile is not the owner, any valid and collectible automobile insurance carried by the owner becomes primary. The insurance carried by the driver of the automobile then becomes secondary.

After all valid and collectible underlying automobile insurance coverage has been exhausted, RFMH's non-owned automobile insurance policy will cover the amount of any valid claim that exceeds the underlying policies.

2.6.5. Property Insurance

RFMH does not provide insurance coverage for computer, scientific or other equipment or property purchased on Administrative or Grant funded accounts. Each Institute is responsible for assessing the insurance needs for their location and should they decide to insure property, the cost will be borne from their local RFMH Facility and Administrative budget or directly from a Project Account as is appropriate for the circumstance.

Sponsors may insist upon coverage of property that they furnish, that is acquired with their funds, or that is leased with their funds. They may also disallow using their funds for insurance. When title is retained by the sponsor, their guidelines must be followed. All requests for insurance must be checked by the grant administrator to ensure that they are allowable expenses.

2.6.6. Special Insurance Coverage

RFMH can provide insurance coverage to meet unique project needs. The Central Office should be contacted for information on obtaining special insurance coverage.

2.6.7. Other Insurance Coverage

RFMH may secure other insurance as is deemed necessary by the Managing Director or Board of Directors to indemnify RFMH interests.

2.7 Retention of Legal Counsel

The Managing Director is responsible for all legal matters involving RFMH, including grant and project-related problems. If it becomes necessary to retain special outside counsel, the request will first be directed to the Managing Director, who has the ultimate authority for making the decision on whether to retain outside counsel and which firm will be used. Recommendation of possible firms or attorneys may be made at the time a request is submitted to the Managing Director.

2.8 Use of Foundation Computers and Equipment

As part of its commitment to the utilization of new technologies, RFMH provides and maintains access to computers and other equipment for the purpose of supporting its fundamental activities. Users of this equipment are required to take the necessary measures to adequately safeguard the operating integrity of the systems and accessibility of other users. Users are provided such access under the following conditions:

- 2.8.1. Access to and use of the computers and other equipment is provided for the conduct of official business. Personal use is a privilege, not a right. Personal use should not impede the conduct of RFMH business. The equipment should not be used for any personal monetary interests or gains.
- 2.8.2. Staff will not use this equipment for illegal, disruptive, frivolous, libelous, obscene, unethical or unprofessional activities, or for personal gain, or for any purpose that would jeopardize the legitimate interests of RFMH.
- 2.8.3. Employees need to understand that all computer and equipment usage is recorded and stored.
- 2.8.4. Employees have no right to privacy with regard to the computer and equipment use. Management has the ability and right to view employees' usage patterns and take actions to ensure that computer and equipment resources are devoted to maintaining the highest level of integrity and productivity.

- 2.8.5. When using the equipment, all employees should avoid doing anything that might damage the Foundation's reputation. Accessing, posting or sharing any racist, sexist, threatening, obscene or otherwise objectionable material is strictly prohibited. Employees will not intentionally use the equipment to disable, overload or impair the performance of any other computer system or network, or to circumvent any system intended to protect the privacy and security of another user.
- 2.8.6. Files that are downloaded to the computers must be scanned with virus detection software before installation or execution.
- 2.8.7. Employees shall not place RFMH material (copyrighted software, internal correspondence, etc.) on any publicly accessible computer without prior permission.
- 2.8.8. Alternate connections to RFMH computers and systems are not permitted unless expressly authorized and properly protected by a firewall or other appropriate security device.
- 2.8.9. The use of RFMH computers and systems does not guarantee the privacy and confidentiality of information. Sensitive material transferred to these systems may be at risk of interception or detection by a third party. When data transfer is required over the internet, appropriate steps must be taken to minimize risk.
- 2.8.10. Transmitting protected health information (PHI) to RFMH computers must comply with the requirements of the Health Insurance Portability and Accountability Act (HIPAA).
- 2.8.11. Unless otherwise noted, all software on these systems should be considered to be copyrighted work. Therefore, employees are prohibited from downloading software and/or modifying any such files without permission from the copyright holder.
- 2.8.12. RFMH reserves the right to inspect an employee's computer system for violations of this policy.

Users who fail to comply with RFMH's policy will be disciplined as appropriate under the circumstances.

2.9 Whistleblower Policy

RFMH for Mental Hygiene requires directors, officers, employees and others performing services for RFMH to observe high standards of business, professional and personal ethics, practice honesty and integrity, and comply with all applicable laws and regulations in the conduct of their duties and responsibilities.

It is the responsibility of all directors, officers and employees to report any activity, policy or practice that the person reasonably believes is an illegal, unethical or other inappropriate activity.¹ No director,

¹ This policy is in addition to the RFMH Grievance Policy and procedures which apply when an employee believes that a work-related problem is not being adequately addressed by the supervisor.

officer or employee who in good faith reports such an activity shall suffer harassment, retaliation or adverse employment consequence as a result of such report. This Whistleblower Policy is intended to encourage and enable persons to raise serious concerns and to do so within RFMH prior to seeking resolution outside RFMH.

RFMH has an open-door policy and encourages good faith reporting to provide RFMH with the ability to investigate, correct and take other appropriate actions. Reports must be made to the RFMH Central Office Director of Human Resources or to the President of the RFMH Board of Directors. Their contact information can be found at:

Theresa Conlin, Director of Human Resources
Research Foundation for Mental Hygiene, Inc.
150 Broadway, Suite 301
Menands, NY 12204
tconlin@rfmh.org

Thomas O'Hara, President
RFMH Board of Directors
Nathan Kline Institute
140 Old Orangeburg Road
Orangeburg, NY 10962
tom.ohara@nki.rfmh.org

Reports will be promptly investigated and appropriate corrective action will be taken if warranted by the findings of the investigation.

Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information is reliable. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false will be cause for disciplinary action.

When a concern or complaint relates to corporate accounting practices, internal controls or auditing the Audit Committee of the Board of Directors will be notified and will provide oversight of the investigation, plan of corrective action and other actions taken by RFMH in responding to the concern or complaint.

Reports should be made in writing and may be made on a confidential basis by the complainant. Reports will be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation and take corrective actions.

Section 3

Accounting

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3. ACCOUNTING

3.1. Basis of Accounting

The Research Foundation for Mental Hygiene, Inc. [RFMH] maintains its books and prepares its annual financial statements in accordance with generally accepted accounting principles. As such, RFMH's books and fiscal year-end financial statements reflect certain accrued items, such as fringe benefit and payroll tax accruals, certain prepaid items, and accounts receivable.

3.2. Revenue Recognition

Revenues, which are primarily derived from restricted grants and cost reimbursement contracts, are recognized as costs are incurred in compliance with grantor guidelines. Current restricted gifts, grants, bequests, and other types of income are accounted for as revenue in the "Statement of Activities and Changes in Net Assets" only to the extent that donor-specified or other conditions have been satisfied. Unexpended balances are accounted for as deferred revenue or support in the Balance Sheet, outside the fund balance section, until the above conditions are met. Revenue from unrestricted gifts, grants, and bequests is recognized as received.

3.3. Capital Equipment

The acquisition cost of an item of purchased equipment is the net invoice price of the property including the cost of modification, attachments, accessories, or auxiliary apparatus necessary to make the property usable for its intended purpose. Other charges, such as installation, transportation, taxes, duty or in-transit insurance, shall be included in the unit acquisition cost.

3.3.1. Equipment

RFMH defines equipment as physical items, excluding real estate, landscaping, etc. with an acquisition cost of at least \$5,000.00 and a useful life of more than two (2) years, unless the purchase is made from funds provided by a sponsor with a more restrictive policy. For example, New York State defines capital equipment as an item of non-expendable personal property with a useful life of more than two years and an acquisition cost of \$1,000.00 or more. Therefore, this latter definition is applied to capital equipment purchased with State contract funds.

3.3.2. Property Management Standards for Equipment

3.3.2.1. *Computerized Inventory Records*

RFMH maintains computerized inventory records for items of equipment. These property records shall include:

- Property description.
- Manufacturer's serial number, model number, federal stock number, national stock number or other identification number.

- Source of payment for the property, including grant or other agreement number.
- Indication if title vests in the recipient or the sponsor.
- Purchase order date, purchase order number, acquisition date, vendor name, sponsor name, inventory tag number and acquisition cost.
- Location of equipment, including building, floor and room, use and condition of the property.
- Ultimate disposition data, including date of disposal and sales price or method used to determine the current fair market value where RFMH is required to compensate the sponsor for its share of the equipment.
- After property is disposed of, the record is updated with the date of disposal and removed from active status.

3.3.2.2. *Physical Inventory*

A physical inventory of property shall be taken, and results reconciled with property records at least once every two (2) years. This may be accomplished using accepted statistical sampling techniques. Any difference between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the cause of the difference. RFMH shall, in connection with the inventory, verify the existence, current utilization, and continued need for the property. Property control shall be updated as required.

3.3.2.3. *Control System*

A control system shall ensure adequate safeguards to prevent loss, damage, or theft of property. Any loss, damage, or theft of equipment shall be investigated and fully documented and, if required, the sponsor will be notified. Suspected thefts shall be reported to the appropriate law enforcement agency. Copies of police reports shall be sent to the Central Office.

3.3.2.4. *Maintenance Procedures*

Adequate maintenance procedures shall be implemented to keep the property in good condition.

3.3.3. *Disposition of Equipment*

When RFMH has unconditional title to equipment and there is no longer a need for it on the project for which it was originally acquired, the property may be disposed of as follows:

- Availability of the equipment shall be circulated within the Institute where the equipment is located.
- Description of the equipment shall be circulated among the Research Institutes.
- If there is no interest in the item(s) by the Institutes, bids should be requested for sale of the equipment.

- Proceeds – the proceeds from the sale of surplus equipment for which the Foundation has unconditional title, may be established in an unrestricted Foundation account. Allocation of expenditures from this type of account shall, to the extent possible, be made for the purposes or areas of research originally supported by the sponsoring agency.

Sponsor policy determines if RFMH has unconditional title to the equipment. For example, the Public Health Service may require that RFMH transfer title to certain non-expendable personal property acquired under a PHS supported project within 120 days following the completion or termination of PHS grant support or the date of an appeal decision, whichever is later. Title to property purchased under New York State contracts vests with the State and should be transferred to the State upon the completion of the contract, or earlier if feasible. Property control records must be adjusted to reflect transfers.

3.4. Cost Transfer (Personnel and Other than Personnel Costs)

Occasionally transfers of cost from one project to another are necessary to correct bookkeeping or clerical errors in the original charges. Closely related work may be supported by more than one funding source and, in such cases, a transfer of cost from one funding source to another may be proper. However, frequent, tardy, and unexplained (or inadequately explained) transfers, particularly if they involve projects with significant cost overruns or unexpended fund balances, raise serious questions about the propriety of transfers and the overall reliability of RFMH's accounting system and internal controls. This section prescribes the conditions under which cost transfers are acceptable.

3.4.1. Correction of Errors

Transfers of cost to correct errors must be made promptly after the errors are discovered and, where possible, prior to the submission of the expenditure report to a sponsor. The transfer must be supported by documentation which explains how the error occurred and which certifies the correctness of the new charge. An explanation which merely states that the transfer was made "to correct error" or "to transfer to correct project" is insufficient. Frequent errors in recording of costs may indicate a need for improvement in RFMH's accounting system and/or internal controls. Therefore, such errors shall be investigated, and appropriate steps shall be taken.

3.4.2. Closely Related Work

If closely related work is supported by more than one funding source, cost transfers from the originally charged funding source to another award, or the allocation of costs to more than one funding source at the time of payment, may be made if the following conditions are met:

- The cost is a proper and allocable charge to the funding source.

- The transfer is supported by documentation which contains a full explanation and justification for the transfer and the propriety of the transfer is certified by the principal investigator or other responsible program official of RFMH.
- The transfer has been reviewed and approved by a responsible financial or administrative official of the Institute and the Central Office, such as the Business Officer and the Controller.

Insofar as possible, cost transfers involving closely related work should be made within 120 days of the original charge. If a transfer is made after the 120-day period, the supporting documentation described above, in addition to the normal explanation and justification of the transfer, must also explain why the transfer was tardy.

3.4.3. Documentation

Documentation shall be attached to the transfer request submitted to the Central Office or to the invoice when the payment is to be allocated to more than one account.

3.5. Facility and Administrative Costs

Federal cost principles permit an organization to establish and use its own accounting system to determine costs, provided it is based on sound accounting principles consistently applied to all organizational activities regardless of the source of funds supporting these activities. While costs may be charged either as direct or facility and administrative costs, depending on their identifiable benefit to a project or program, such costs must be treated consistently for all work of the organization under similar circumstances so as to avoid duplicate charges (PHS Grants Policy Statement).

The following is a list of the types of costs or activities which RFMH treats as Facility and Administrative costs:

3.5.1. General Administrative Costs

- **Executive Management** – Includes all personal services and non-personal service costs associated with the overall direction and operation of RFMH and the Institutes including the Board of Directors activities.
- **Business Management** – Includes the personal and non-personal services costs of all activities related to financial record keeping, budget development, grant development, payroll processing, purchasing, accounts payable, investment management, accounts receivable, treasury functions, etc.
- **Personnel Management** – Includes the personal and non-personal services costs of all activities related to recruitment, employee record keeping, fringe benefit management and other employee health and welfare programs.
- **Audit and Legal Costs** – Includes the costs of RFMH's annual audit and legal costs relating to Research Foundation wide matters.

- **Committees/Boards** – Includes the costs associated with special committees and boards required for the sound management of RFMH and its research. Examples include the costs associated with the Board of Directors, Fiscal Committee and Institutional Review Boards.

3.5.2. Support Costs

- **Communications** – Includes the cost of all activities or services related to the operation of a centralized telephone system (operators, lines, instruments, etc.), the cost of postage, mail distribution, central photocopying services, word processing centers, etc. In certain instances, these costs may be considered direct costs if the nature of the cost/activity is so closely related to a specific objective (project) that it can easily be identified with a project. Examples of these exceptions might be additional phones for a specific survey, or special mailings related to a specific project.
- **Maintenance** – Includes all costs necessary to maintain facilities and common use equipment in proper operating conditions. Typical items/activities include salaries and fringe benefits of the various tradesmen, tools, maintenance agreements on facility equipment or other common use equipment, replacement parts, etc.
- **Utilities** – Includes the cost of electricity, water, sewage, etc. required in the overall operation of facilities, but excludes communications costs.
- **Libraries** – Includes the costs of librarians, books, journals, and other costs associated with the operation of libraries.

3.5.3. Occupancy Costs

This category of costs includes a group of costs associated with the occupation of owned or leased space. When the cost cannot be associated with a specific activity or project, or if it is otherwise impractical to do so, or if to do so would not produce a material difference in cost, the cost is included in the facility and administrative cost pool.

- **Rent** - The somewhat unpredictable nature of grantsmanship frequently necessitates the acquisition of additional facilities and space. This is particularly true in periods of expanding grant activity. Additional space requirements are often accommodated through rentals or leases. When the rental of additional space is done to accommodate overall institute space programming, it is included in the facility and administrative cost pool.
- **Alterations and Renovations** – Alteration and renovation is defined as work required to change the interior arrangements or other physical characteristics of an existing facility or installed equipment so that it may be more effectively utilized for its currently designated purpose or adapted to an alternative use to meet a programmatic requirement. Routine repair of the organization's physical plant or its equipment is not considered to be alteration or renovation. The need for

alterations and renovations often becomes critical during periods of expanding grant activity. Alterations and renovations to both owned and rented space are allowable costs under federal guidelines. RFMH treats these costs as facility and administrative. However, if the benefit derived relates to a specific project or objective, then the cost must be approved in the project budget and must be charged as direct.

- **Depreciation/Amortization Charges** – Depreciation charges on capitalized fixed and movable assets and amortization charges on leasehold improvements are treated as facility and administrative costs consistent with federal policy.

See Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – 2CFR Part 200 for additional discussion of cost classification and allowability.

3.6. Record Retention

RFMH record retention policy is based upon sponsor requirements, Federal and New York State government statute and regulation. Federal and NYS government sources were used to identify the minimum legal requirements for specific types of records and to determine the minimum corporate requirements for Research Foundation paper and/or data records. In summary, the policy is primarily based on reference/citation from these sources:

- Federal Government: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – 2CFR Part 200
- New York State Government: NYS State Archives and Records Act, NYS Statute of Limitations, NY Code of Rules and Regulations.
- Records are defined as, paper/text documents, computer data, electronic records, microfilm, computer tapes, maps and video/audio recordings. Material in any medium retained for reference and/or citation purposes is not considered a record.
- Specific paper and/or data records must be retained in accordance with the minimum legal and corporate requirements identified for each respective business below. In addition, RFMH must comply with any sponsor-specific record retention requirements. If a sponsor requires records be retained for a longer period than required by Research Foundation policy, the sponsor's requirements take precedence and must be followed.

3.6.1. Financial and Accounting Records

The Central Office of RFMH in Albany, New York is the official office of record for all records that support Financial Statements and grant account expenditures. These records include, Monthly Account Summary Reports, vendor payments, tax returns, general ledger, trial balances, indirect cost and fringe benefit proposals, bank statements, journal entries, etc. All financial records will be maintained for a minimum of six years after the completion of the fiscal year.

3.6.2. Grant Administration Records

The Central Office of RFMH in Albany, New York is the official office of record for all grant administration records. These records include, grant applications, notice of grant awards, research agreements, subcontracts, award billing files, sponsor financial reports, etc. All grant administration records will be maintained for a minimum of six years after the completion of the grant and filing of the final financial report. Each Institute will also maintain a duplicate grant administrative file while the account is active. Patent Records, including patents, applications and agreements will be maintained by the Central Office in a permanent file.

3.6.3. Human Resources/Payroll Records

The Central Office of RFMH in Albany, New York is the official office of record for all payroll/personnel records with the exception of Employee Personnel Files for Foundation employees at the Nathan Kline Institute and the New York Psychiatric Institute. Employee Personnel Files (appointment and change forms, W-4's, deduction and benefits records) will be maintained for a period of 7 years after the termination date of the employee. Tax and compliance records (W-2's, 941's, 1099's, EEOC Report, 5500's) will be maintained for a period of 7 years after the date of filing. The Central Office will maintain, for the purpose of verifying retirement service and pay information, a permanent copy of the year end payroll register and a copy of the employee time and attendance records.

3.7. Internal Controls

Effective systems of internal accounting and administrative control are the basic foundation of accountability to those who provide funds, government regulatory agencies and the public at large. Such effective systems are necessary to assure that RFMH's assets and funds are adequately safeguarded, and to produce reliable financial records and reports. These systems are dynamic and must be continually reviewed, evaluated and, if necessary, established, changed or improved so that fraud and errors are not likely to occur.

Management is responsible for establishing and maintaining systems of internal accounting and administrative control. Internal and external auditors can assist management by examining and evaluating the adequacy and effectiveness of these systems. As a result, management can submit reports to the Board of Directors regarding the adequacy of the systems needed to evaluate the performance of RFMH's responsibilities and accountability.

RFMH shall have adequate internal accounting and administrative controls to provide reasonable assurance that:

- Obligations and commitments are in compliance with applicable law, policy, regulations and procedures.
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

- RFMH's revenues and expenditures are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over assets.
- RFMH's programs operate efficiently and in accordance with management's policies.

RFMH's internal controls shall be established with generally accepted internal control standards, such as those established by the American Institute of Certified Public Accountants (AICPA), and those recommended by RFMH's independent auditors.

RFMH's Managing Director or their designee shall arrange for the evaluation by RFMH's auditors of its systems of internal accounting and administrative control to determine such system's compliance with generally accepted internal control standards. The Managing Director may modify RFMH's guidelines for internal control periodically.

Annually, RFMH's external auditors shall, based on an evaluation conducted in accordance with the prescribed guidelines, prepare a statement either:

- That RFMH's systems of internal accounting and administrative control fully comply in all material and significant aspects with the generally accepted standards; or
- That such systems do not fully comply with these standards.

In the event that the external auditors prepare a statement stating that such systems do not fully comply with these standards, the Managing Director shall prepare a report identifying material or significant weaknesses in the systems of internal accounting and administrative control and stating management's plans and schedule for correcting these weaknesses. These statements and reports shall be transmitted to the head of each affected division of RFMH and to the Board of Directors. The Managing Director shall review the required reports and statements and report to the Board of Directors annually on the progress made to strengthen the internal accounting and administrative controls

Section 4

Grants Administration

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4. GRANTS ADMINISTRATION

4.1. Applications to Sponsors

Sponsored funds are usually awarded after a formal proposal is submitted by the Project Director. This proposal is either sent to the sponsor through the Research Foundation for Mental Hygiene, Inc.'s [RFMH] Central Office in Albany, or is submitted directly by the Institute. If the application is sent by the Institute, a completed copy is provided to Central Office. All applications shall indicate that the project proposal was reviewed and approved by the authorized Institute officials by attaching a signed RFMH checklist to the Central Office Copy.

Pursuant to an agreement between New York State Department of Mental Hygiene, Inc. (DMH) and RFMH, applications are submitted in the Foundation's name. RFMH has agreed that all applications will be reported to DMH either prior to, or concurrent with, submission to the sponsor and that no awards will be accepted without prior approval of DMH.

Application requirements of sponsors vary. Institute officials shall be familiar with and comply with those sponsor policies and guidelines which affect their RFMH projects.

4.1.1. Institutional Review Boards

(NOTE: A separate manual has been issued concerning RFMH, State and Federal regulations on human subjects research).

Extreme care shall be taken to protect the health, safety and privacy of human subjects who take part in Foundation research projects. No sponsored project shall begin until the protocol is reviewed and approved by the Institutional Review Board and all Federal regulations concerning the protection of human subjects are met.

Public Health Service defines a human subject as "any human being exposed to any research procedure as the result of the availability of Public Health Service funds". This may pertain to a member of the general population who could be unintentionally exposed to hazards resulting from funded research.

Approval by the Institutional Review Board is required for projects in which individuals are participating in research.

The Department of Health and Human Services defines a human subject as a "living individual about whom an investigator (whether professional or student) conducting research obtains (1) information or biospecimens through intervention or interaction with the individual, and uses, studies, or analyzes the information or biospecimens, or (2) uses, studies, analyzes, or generates identifiable private information or identifiable biospecimens".

Research is defined as a "systematic investigation, including research development, testing, and evaluation, designed to develop or contribute to generalizable knowledge".

Given these definitions, the boundaries between research involving human subjects and other activities is often unclear. In many instances, treatment and/or demonstration or service programs may constitute human subjects research. Extreme care should be exercised in applying these definitions.

The Review Board's approval is usually included with the application or in accordance with Just-in-Time procedures. The Board clearance shall be on file with RFMH before an award is accepted. Many sponsors have strict deadlines for the receipt of IRB approval. For example, NIH will not allow any funds to be used where a certification and an IRB approval date has not been provided.

Public Health Service grant applications ask if human subjects will be involved. The necessary assurances are attached to the regular application.

4.1.2. Research Involving Animals

RFMH is committed to a policy of humane care for the animals maintained in its facilities. Ethical considerations and sound research design confer a responsibility for their welfare on those persons who care for or use animals.

All research, research training and biological testing activities involving live vertebrate animals must receive prior approval of an Institutional Animal Care and Use Committee (IACUC) established by RFMH and the relevant Office of the Department of Mental Hygiene.

IACUC's will ensure that the provisions of the Animal Welfare Act and other relevant laws and regulations are being met. In addition to reviewing every protocol that involves the use of animals, IACUC's have the authority to approve, modify or disapprove proposals for the use of animals. In addition, IACUC's may suspend or terminate activities which are not in compliance with the Animal Welfare Act, the "Guide for the Care and Use of Laboratory Animals" (DHHS) or the Foundation's assurance (a document submitted to the Federal Office for Protection from Research Risks by RFMH and the Offices of the Department of Mental Hygiene.)

Applications and proposals submitted to the PHS must contain verification that the IACUC has approved these sections of the application or proposal related to the care and use of laboratory animals. It is preferable that the verification of IACUC's approval be submitted along with the application or in accordance with Just-in-Time procedures. No costs for activities with live vertebrate animals may be charged to NIH grants if there is not a valid IACUC approval.

4.1.3. Signature

RFMH's Corporate By-Laws state that the Managing Director or his/her designee shall sign on behalf of the Corporation all applications and proposals. For the Research Institutes, the Managing Director has designated the Director and Deputy Director for Administration (DDIA) as the authorized officials for signing grant applications for their

location. Signatory authority delegated to the Institutes does not alter RFMH policy that only the Managing Director may obligate the Corporation by signing agreements and contracts. Should the sponsor ask who is authorized to bind RFMH in contracts or agreements, it is the Managing Director of RFMH.

A complete copy of the application submitted to the sponsor, including all signatures, and an assigned RFMH application number, shall be forwarded to the Central Office when the application is submitted to the sponsor. The Central Office copy shall include the checklist and the application number.

Applications and proposals are subject to a post-submission review by the appropriate DMH offices. RFMH will withdraw them if requested by such office. The Institute or other research facility may request the Central Office to withdraw an application prior to award.

4.1.4. Technical Requirements

4.1.4.1. *Applicant Organization*

The Applicant Organization should be the Research Foundation for Mental Hygiene, Inc. The address used should be the Institute address or for all other grants the Central Office address.

4.1.4.2. *Type of Organization*

RFMH is a Private Nonprofit organization and shall be so described on applications.

4.1.4.3. *Entity Identification Number and DUNS Number*

The corporate taxpayer identification number is 14-1410842. For federal applications, the Entity Identification Number is 1-141410842-A2. The DUNS numbers and Unique Entity Identifiers (UEI) are:

Research Foundation for Mental Hygiene, Inc. (“RFMH”):

| | DUNS | UEI |
|-------------------|-------------|--------------|
| RFMH | 07-991-9916 | HFLN95HJT19 |
| RFMH at NYS OMH | 16-720-2410 | KZEDWKPHGLF3 |
| RFMH at NYS OPWDD | 16-720-4242 | KBLYSEQE56J5 |
| RFMH at NYS OASAS | 16-720-4515 | GM1LNDLMJ3N6 |
| RFMH at NKI | 16-720-4762 | EAL3QNJK3CB9 |
| RFMH at NYSPI | 16-720-4994 | TYVNMW8FNQQ3 |
| RFMH at IBR | 16-720-5090 | LKEPMM3KKF27 |

4.1.4.4. *Administrative Official to be Notified if Award is Made*

The official to be notified if the award is made should be the Deputy Director for Administration of the Institute or the Managing Director or their designee.

4.1.5. Waiver of Facility and Administrative Costs

The Business Office is responsible for reviewing the grant application to ensure that the maximum facility and administrative cost allowable is being requested. If the application contains a request for facility and administrative cost at less than the full rate, a Waiver of Indirect Cost form must be completed and submitted along with the application. The full rate for federal grants and contracts is detailed for each location in the federally approved Nonprofit Rate Agreement. For all other sponsors such as private foundation and drug companies, it is 32.5% of Total Direct Costs (TDC).

The Central Office, after consultation with the Finance Committee and Board of Directors, shall approve or deny all requests for the waiver of facility and administrative cost.

4.2. Awards

Notification of an award is usually sent directly to RFMH by the sponsor. If support is in the form of a grant and the sponsor does not require formal acceptance of terms and conditions, the Central Office will establish an account (expenditure authorization) after verifying that the award notice and the original proposal are in agreement.

If formal acceptance of sponsor terms or conditions is required, or if RFMH must execute an agreement, the Institute administration, Project Director and the Central Office must review and approve the award document.

The Central Office reviews the terms and conditions of the award to assure compliance with RFMH policy for items such as patent provisions, publication rights and reasonable payment provisions. This review also assures that the document fairly represents the effort which the Project Director will undertake and that it is consistent with the proposal. The obligations undertaken by the Project Director and RFMH shall be fair, reasonable and prudent. An account is established when agreement is reached by all parties on the award terms and the required document is signed by the Managing Director.

Even though a formal contract may not be required, or there may be no requirement to formally accept grant terms after the notification of an award, all sponsored awards are made contingent upon their use for the sponsor's intended purpose. This obligation is not lessened because a formal contract has not been executed.

4.2.1. Establishing the Account

Once an award has been made and accepted, the Central Office shall issue a document showing the budget, RFMH account number, sponsor, and project period.

The Business Officer at each Institute reviews and certifies all transactions involving payments from sponsored funds. All communications and transactions with the Central Office shall refer to the full RFMH account number.

If the project starting date is imminent or has passed, and the sponsor has given written assurance of eventual favorable action, RFMH may, at its discretion, issue an Advance Expenditure Authorization (AEA) before the sponsor issues a formal notice of award. This allows the Project Director to make expenditures. Such advance arrangements are periodically reviewed and are subject to withdrawal in the event of extended delays by the sponsor or limitations on expenditures.

With new programs or projects which involve risk that an award will not be made, or if the start date is uncertain, the appropriate Institute administrative official must agree that unreimbursed expenditures will be guaranteed with unrestricted Institute funds before an account is established.

4.3. Grant and Contract Costs

The total cost of a sponsored program consists of direct and indirect (facility and administrative) costs.

Direct costs are identified specifically with a particular research cost objective, i.e. research grant, project or program. These costs include that portion of the salaries and fringe benefits that research scientists, technicians, assistants and other staff which are directly related to the conduct of the project. Other direct project costs are non-personal service expenses such as glassware, chemicals, animals, equipment, books, periodicals, consultants, travel, advertising, etc. Direct costs are incurred with the approval of the Project Director, in accordance with the authorized project budgets, sponsor regulations and RFMH policies and procedures. Per 2 CFR 200.302(b)(7) all salary charges are reviewed and signed off by the Project Director, Institute Official and RFMH Human Resources. Purchases are checked for allowability, allocability, reasonableness (as defined below) and consistent application by Project Director and the Departmental and Central Office Administrators. At time of payment, they are again reviewed and approved by Finance.

As described by 2 CFR 200 Subpart E, the definitions of allowability, allocability, and reasonableness are as follows:

Allowability

For a cost to be allowable, it must:

- Be necessary and reasonable for the performance of the award and be allocable thereto under 2 CFR 200.
- Conform to any limitations or exclusions set forth in 2 CFR 200 or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both federally-financed and other activities of the non-Federal entity.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

- Be determined in accordance with generally accepted accounting principles (GAAP).
- Not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.
- Be adequately documented.
- Be incurred during the approved budget period.

Allocability

A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

- Is incurred specifically for the Federal award;
- Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and
- Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in 2 CFR 200 Subpart E.

Reasonableness

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.

Facility and administrative costs are those expenses that are not identifiable with a particular project or program but are nevertheless necessary to the operation of RFMH and the conduct of its research programs. These expenses are recovered by applying a facility and administrative cost rate (a percentage) against the direct costs of salaries, wages and fringe benefits, other than personal services, excluding equipment and subawards in excess of \$25,000 or, in some cases, total direct costs or another similar base. Facility and administrative cost recoveries fund sponsored program support, such as building maintenance, utilities, libraries, depreciation, general administration and other functions vital to sponsored activities. Charges are reviewed monthly.

The facility and administrative cost rate permits the allocation of the cost of a centralized indirect activity to direct activities. In this way, each sponsored program bears its fair share of the cost of centralized activities. This allows RFMH to be reimbursed for the total costs associated with the project. RFMH includes both RFMH and NYS facility and administrative costs incurred in support of research in the development of a joint facility and administrative cost rate. Some sponsors reimburse all allowable costs of a given project. Other sponsors limit facility and administrative costs or do not allow facility and administrative cost reimbursement. Sponsors that do not provide full facility and administrative cost recovery reduce the resources available to RFMH for research support.

4.3.1. Unallowable Costs

Activities and expenses which are unallowable for reimbursement on a Federally-funded award may still be appropriate, necessary and allowable on a non-Federally funded award. Departments may still incur these activities/expenses but they must be charged to a non-Federally funded award. If an unallowable cost is incurred, it should first be charged to any non-sponsored funds held on behalf of the Principal Investigator. If there are no such funds, the unallowable cost should be charged to the relevant institution's Investment Income award. Unallowable costs should not be charged to F&A awards. Depending on the nature of the unallowable expenditure, the Foundation may require reimbursement from the Principal Investigator or other applicable person.

Grants personnel, finance personnel, and Principal Investigators may discover that an unallowable cost has been mistakenly charged to an award during routine review of financial reports. Upon determining that the cost is unallowable, the cost must be transferred to any non-sponsored funds held on behalf of the Principal Investigator. If there are no such funds, the unallowable cost should be charged to the relevant institution's Investment Income award. To transfer the cost, the Institute business office must complete a Zero Invoice and submit it to the Central Office with appropriate approvals and justification for the transfer. Upon receipt of the approved Zero Invoice, the Central Office will process the transaction in the accounting system.

4.4. Facility and Administrative Cost Recovery

Sponsors of research funding generally allow recipients to recover costs associated with Facilities and Administration. Facility and Administrative (F&A) costs are those expenditures incurred for joint or common objectives that cannot be readily identified to a specific project, program or organizational activity. Facility operation and maintenance costs, depreciation, and administrative costs are usually treated as F&A costs. The Federal government, through 2 CFR Part 200 OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) has established policies and procedures for charging F&A costs to federally sponsored research. As a private not-for-profit organization managing Federal Awards, RFMH is required to comply with Uniform Guidance. In order to charge F&A costs to federal awards a cost plan must be prepared in accordance with Uniform Guidance Subpart E - Cost Principles and the plan must be negotiated and approved by a cognizant federal agency.

The federal government allows the recipient of a grant or contract to recover F&A costs as the recipient incurs direct project expenditures. ***No F&A costs can be recovered from the federal government unless direct grant expenditures are incurred.*** For example, RFMH's federally approved rate is developed as a percentage of total direct costs. As direct costs are incurred on a federal grant the approved F&A rate is charged as a percentage of direct expenditures and the funds are collected. The funds collected are identified in a discrete account by the Institute in the financial records of RFMH.

In accordance with the Foundation's contract with DMH, F&A costs recovered on grants may be used for the following purposes: (a) the operation of the Foundation's central administrative office and other costs incurred in managing sponsored programs, (b) payments for local Institute

administration and support services (c) maintenance of an adequate working capital and contingency reserve, and (d) Payment to NYS for the Research Over-recovery Special Revenue Fund.

RFMH is obligated through its agreement with DMH to obtain the maximum possible reimbursement of F&A costs. From time to time it may be in the mutual benefit of RFMH and DMH to waive all or a portion of the facility and Administrative Costs. RFMH has agreed that F&A costs will not be waived without the approval of DMH.

4.5. Fringe Benefit Cost Recovery

RFMH recovers the funds needed to cover the cost of employee fringe benefit programs by applying fringe benefit rates to all accounts that incur salary or wage expenditures. All RFMH accounts that fund employee salaries (including hourly-paid) are charged for the recovery of fringe benefit costs based on the current fiscal year's approved fringe benefit rates. ***Fringe benefit costs may not be waived.***

The approved fringe benefit rates for each fiscal year must be used to develop budgets for sponsored program applications. When a fringe benefit rate changes, all existing account records except vacation accrual accounts are automatically updated in the computer system to reflect the new rate. The system updates are effective with the payroll period in which the new rate goes into effect. The fringe benefit rates for the current fiscal year are automatically generated when new awards are established. ***Fringe benefit rates cannot be changed.***

4.6. Certification of Effort for Salary and Wage Charges

RFMH is required by Uniform Guidance Subpart E - Cost Principles, §200.430 and 431 to document the distribution of salaries and wages paid to employees whose compensation is charged, in whole or part, to awards, whether treated as direct or F&A costs. The distribution of salaries and wages to awards must be supported by personnel activity reports.

Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

- Reports must reflect an after-the-fact determination of the actual activity of each employee.
- Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
- The reports must be certified by the individual employee, or by a responsible supervisory official having first-hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.
- The reports must be prepared at least monthly and must coincide with one or more pay periods.

An employee's *effort* is the activity for which the employee is compensated and which the employee must perform. An employee's *labor schedule* is used to distribute compensation to the work on one or

more grants or projects. Total effort, therefore, is the sum of percentages of compensation an employee receives for each grant or project.

4.6.1. Monthly Certification

All employees of RFMH will have their effort certified on a monthly basis. RFMH will provide each Principal Investigator and Project Director with a Monthly Project Payroll Transaction Detail report that shows for each employee the employee's name, total RFMH effort, and effort charged to the grant or project. Principal Investigators will be required to review the report for accuracy and to sign the following certification: "I certify that I know the effort of each employee paid from this account. This month's charges are accurate unless otherwise noted on personnel action forms (PAF) that I sent to the Foundation's business office." The certifications are completed monthly in the Web FTASK system, where they are maintained in accordance with the Foundation's record retention policy.

4.7. Disposition of Grant Balances

This disposition of any balance remaining in the grant or contract account is determined by sponsor policy or regulations.

The unobligated balance in most grants or contracts funded by the federal government is required to be returned to the sponsor. This includes grants and contracts funded by the Department of Health and Human Services and the National Science Foundation.

Balances in grants funded by private organizations, such as the American Heart Association, the American Chemical Society, the National Foundation-March of Dimes and the Arthritis Foundation, that have sponsor policies requiring the return of such funds will be returned to the sponsor.

At times, it is possible to carry unexpended balances forward to a new budget period. This does not increase total project period funds available for research expenditures and unexpended funds are not available as direct research funds unless specifically approved by the sponsor in writing.

Balances remaining unexpended from fixed price contracts, fee for service contracts or grants that do not require the return of funds will be retained by RFMH and be used by the Principal Investigator to enhance or extend their research, education or training program. These funds shall be designated as **"Net Assets – Board Designated"** in RFMH's statement of financial position.

Should a Principal Investigator leave, balances remaining unexpended from fixed price contracts, fee for service contracts or grants that do not require the return of funds will be retained by the Foundation and designated as described above, for use at the Institute at the direction of the Institute Director in accordance with the mission of RFMH.

4.8. Rebudgeting of Grant Funds

Sponsors generally allow RFMH flexibility to re-budget project in accordance with their established guidelines. Those guidelines will vary between sponsors; therefore, sponsor regulations will determine the authority and responsibility of officials to approve requests that require prior approval.

Each Institute shall designate an appropriate official(s) who has no direct responsibility for project content to review and approve requests for the rebudget of funds. The official(s) may not be the principal investigator, program director, project director, or any official having direct responsibility for the conduct of the project, or a subordinate of such individual.

The principal investigator must complete a Request for Internal Prior Approval and forward to the institute's designated grantee official(s). The form and any attached documentation should fully explain the action requested and provide sufficient information to determine that the request is within sponsor regulations.

The Institute official is responsible for:

- Determining that the request is necessary and appropriate and does not impair the institution's ability to complete the project as required.
- Ensuring that the funds are to be used for approved purposes.
- Determining that approval of the request is within the authority of the Institute and does not require sponsor approval.
- Maintaining files in the institute business office documenting the rebudgeting request and approval action.

It is the responsibility of each Business Office to:

- Monitor all accounts to ensure that any action requiring internal prior approval or sponsor prior approval is obtained prior to any commitment that would affect any account.
- Assist principal investigators on matters related to documentation and interpretation of sponsor regulations required for prior approval requests.
- Forward to the Central Office approved requests for inclusion in sponsor files.
- Notify the Central Office of the official authorized to approve and sign Internal Prior Approval System forms.
- Notify the sponsor of any action that requires sponsor reporting.

4.9. Accepting Donations and Bequests

Any officer of RFMH is authorized to accept on behalf of RFMH gifts of money or personal property where the following conditions have been met:

- The Institute has determined that the gift is acceptable.

- The Institute accepts responsibility for any additional expenditures associated with the acceptance of a gift.
- The Institute establishes an independent review procedure to assess possible risk or exposure inherent in a gift.
- The donor provides RFMH with:
 - An outside appraisal of the gift if the donor seeks a tax deduction, or
 - A statement of approximate market value if the donor does not seek a tax deduction.
- The donor and Institute agree that gifts of money and securities will be managed under RFMH Investment Policy and Guidelines.
- The gift is unconditional.

4.9.1. IRS Regulations on the Substantiation of Cash Contributions

The Internal Revenue Service (IRS) requires that donors contributing \$250 or more in cash or by check acquire written substantiation of their charitable contributions from the recipient organization. The IRS may disallow the deduction by a donor of an unsubstantiated contribution. The IRS generally considers separate payments from the same donor as separate contributions and will not combine them to determine whether the \$250 threshold has been reached. For a contribution of \$250 or more, the IRS does not consider a canceled check to be adequate substantiation.

4.9.2. RFMH Policy on the Substantiation of Cash Contributions

The IRS places the responsibility for obtaining substantiation on the donor. However, in order to maintain good will with donors and to avoid time-consuming after-the-fact research by institutes to verify contributions, RFMH recommends that Institutes provide a written contribution acknowledgment to the donor as soon as the contribution is received. A contribution acknowledgment must indicate the amount of the contribution and either the fair market value of any goods or services provided to the donor or that no goods or services have been provided as a condition of the gift.

4.10. Reports to Sponsors

4.10.1. Financial Reports

The final financial report summarizes all financial activities of the grant award. The final report is generally due within 90 days of the project's end, but this requirement varies among sponsors. The Foundation Director of Administration of the New York Psychiatric Institute is responsible for the timely filing of all financial reports for that location. For all other locations, the final report is prepared by the Central Office.

It is the Project Director's responsibility to ensure that all materials and/or services have been received or rendered and that all expenses are paid from the awarded funds as soon

as possible in order to avoid the late filing of reports. Late filing of reports can result in a sponsor withholding final payments or renewal awards.

4.10.2. Progress Reports

The requirements for technical progress reports vary from sponsor to sponsor. Report requirements are in grant terms and conditions or in the contract language.

The preparation and filing of the technical progress report is the Project Director's responsibility. Unless technical progress reports are filed on time, the sponsor may delay reimbursement of program expenses. If technical progress reports are unduly delayed, it may prejudice applications for new funding.

4.11. Patents and Copyrights

Project Directors, employees and others involved in research projects, individually or in consort with others, may become engaged in research activities involving the use of financial support, facilities, materials or other resources of RFMH. These research activities may be sponsored and funded by government agencies, (federal, state or municipal) by commercial entities, not-for-profit organizations, or gifts from private individuals.

Such research may produce patentable inventions or proprietary technology of value to the public. It is the policy of RFMH to encourage the development of such inventions and technologies and, where feasible, promote the full exploration of the applications for the benefit of the public.

Sponsored research agreements often have specific provisions that may create additional responsibilities with regard to discoveries and inventions. Adherence to these sponsor provisions is necessary in order for RFMH to adhere to federal and state laws and meet contractual obligations.

As a condition of employment or as a condition of RFMH agreeing to administer a sponsored funded research project, Employees and Principal Investigators must agree to:

- Reveal applications or patents in which they are listed as an inventor.
- Submit an Invention Disclosure immediately following the completion of a conception or first reduction to practice of any discovery, invention or improvement on an invention. Improvements include improvements to inventions made prior to their relationship with RFMH.
- Assign to RFMH or its designee, all rights in discoveries, inventions, invention improvements, conceived or first reduced to practice through use of the resources of RFMH.
- Do whatever is required, at no personal cost or expense, to enable RFMH or its designee to obtain, maintain and defend patents in which you are an inventor. This obligation extends to work performed on all sponsor funded research, regardless of the party to which inventions are assigned in the research agreement.

Certain responsibilities above will continue after termination of employment or after a Principal Investigator no longer has a grant administered by RFMH. Employees or Principal Investigators who

have supervisory responsibility for a laboratory or programs will be responsible for seeing that those under their supervision are aware of their obligations and that they are carried out in accordance with this policy.

4.12. Audits

The U.S. Department of Health and Human Services is the cognizant federal agency designated with the responsibility for the audit of all federally funded programs awarded to RFMH. Other sponsors, such as New York State, may perform their own audits or may arrange for audit by private accounting firms. RFMH must maintain records for audit and must explain the accounting procedures employed in sponsored fund administration to auditors.

RFMH, through its component Institutes, maintains proper documentation for all expenditures to demonstrate that expenses incurred were reasonable and necessary to carry out the purposes of the award. Most audits occur several years after the end of the project. Therefore, those familiar with the program activity may not be available for verbal explanations. For this reason, complete written records, particularly of unusual items, are required. It is especially important that project personnel accurately document the percent of effort devoted to each research project.

The completion of an audit, and adjustments made as a result of audit findings, are usually the final activities related to a project.

4.13. Monitoring Subrecipients

As the pass-through entity, RFMH is responsible for monitoring subrecipients in accordance with U.S. Office of Management and Budget (OMB) Uniform Guidance Subpart D – Post Federal Award Requirements, Standards for Financial and Program Management, 2 CFR 200.331 and 200.332. RFMH must:

- Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R&D, and name of Federal agency. When some of this information is not available, RFMH shall provide the best information available to describe the Federal award.
- Report FFATA data for all federal subawards on a monthly basis.
- Advise subrecipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements as well as any supplemental requirements imposed by RFMH.
- Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. This includes ensuring that the correct, documented indirect cost rate is used by each subaward.
- Ensure that subrecipients expending \$750,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of this part for that fiscal year.

- Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action.
- Consider whether subrecipient audits necessitate adjustment of the Foundation's own records.
- Require each subrecipient to permit RFMH and auditors to have access to the records and financial statements as necessary for RFMH to comply with this part.

The Central Office is responsible for establishing procedures necessary to ensure compliance with Uniform Guidance. The Principal Investigator is responsible for monitoring the subrecipients progress with regards to the project goals and objectives. The Principal Investigator must notify the Business Office immediately if they become aware of any problems or issues that would impact the subrecipients ability to comply with the contract or grant terms and conditions. The Principal Investigator is also responsible for reviewing invoices submitted by the subrecipient for reasonableness and for notifying the Business Office immediately if there are any concerns with regard to the invoices. The Principal Investigator will be asked to sign subrecipient invoices indicating that they have reviewed and agree the invoice should be paid.

4.14. Payment of Unaffiliated IRB and IACUC Members

In order to support the recruitment and retention of unaffiliated IRB and IACUC members, and to recognize the crucial role that they play, RFMH permits the payment of these members.

Unaffiliated members perform a vital service to institutions conducting research and to the research subjects whose interests they protect. As stated by the federal Office of Human Research Protections (OHRP), "Broad participation of members from outside the institution, who will have no interest in the outcome of the research or the business interests of the institution, is considered to be one of the most effective means of protecting the integrity of the IRB process."

The Food and Drug Administration has issued the following guidance with regard to payment of IRB members:

"The FDA regulations do not preclude a member from being compensated for services rendered. Payment to IRB members should not be related to or dependent upon a favorable decision. Expenses, such as travel costs, may also be reimbursed."

The federal Office for Protection from Research Risks issued the following guidance regarding payment of IACUC members:

"Meeting fully the letter and spirit of the PHS Policy (and USDA regulations) requires that the nonaffiliated IACUC member be completely disinterested in the institution's profit or benefit from proposed activities that involve animals. ... Both OPRR and USDA maintain that nominal compensation is permissible without jeopardizing a member's nonaffiliated status, if it is only in conjunction with service on the IACUC. ... The dollar amount of compensation, if any, should not be so substantial as to be considered an important source of income or to influence voting on the IACUC."

Permitting payment to unaffiliated members is important to ensure the ability of IRBs and IACUCs to recruit and retain members, particularly those from patient, advocacy and community groups.

In determining the amount of payment for unaffiliated members it is important to ensure that the level of payment is not of a magnitude that could be considered an undue influence on the individual to approve research.

RFMH permits, but does not require, a set payment to unaffiliated members up to a maximum of \$50 per meeting exclusive of re-imbursement for travel expenses.

4.15. Pooled Consulting Accounts Policy Statement

This document sets forth the general policies and procedures for establishing Pooled Consulting accounts within the Foundation's Grant Accounting System.

4.15.1. What are Pooled Consulting Accounts?

Accounts established to receive and expend consulting fees paid pursuant to contractual relationships with organizations who engage RFMH or NYS Department of Mental Hygiene (DMH) employees to perform work during the time they are being paid by RFMH or DMH.

4.15.2. Account Establishment

Accounts will only be established with the prior approval of the Managing Director. In order to establish an account the Institute, Psychiatric Center or Developmental Center (Collectively referred to as Institution) must submit a request in writing. The account(s) will be established in RFMH Grant Accounting System with the Institution's Deputy Director for Administration, Director for Research Administration or equivalent position as the Project Director. All accounts will be established at the Institute level and will have a funding source of **"Miscellaneous Funding"**. The award and project organization will be **"LOC (110, 210 or 310) Other Research Support"**. The account(s) will have a **minimum F&A Cost Rate of 32.5% of TDC**.

The Project Director has overall responsibility for ensuring that expenses on the account(s) are properly authorized and revenue is properly billed and collected. No expenses may be paid on these accounts unless there is sufficient cash within the account.

4.15.3. What can the funds be used for?

It is intended that the funds available for expenditure will be used to provide goods or services for initiatives or projects that will benefit the entire Institution or a Department within the Institution. For example, the funds may be used to purchase a piece of audio-visual equipment that is available to all staff or to purchase periodicals for the Institution's Library. All purchases must comply with RFMH competitive bidding and other procedures for procuring goods and services. The funds may not be used to directly support the projects or initiatives of the person who was responsible for carrying out the consulting service or be otherwise under the control of that person.

4.16. Centralized Services Accounts Policy Statement

This document sets forth the general policies and procedures for establishing centralized services accounts within RFMH's Grant Accounting System.

4.16.1. What are Centralized Services Accounts?

Accounts established for the primary purpose of charging sponsored accounts for services provided by a centralized Institute wide program such as such as; Pharmacy, MRI, PET, Library, Photocopying or Laboratory Service.

4.16.2. Establishing and Account

All accounts will be established to coincide with the Foundation's fiscal year which runs from April 1 to March 31. Accounts will only be established with the prior approval of the Managing Director. In order to establish a centralized service account, you must submit to the Managing Director the following information by March 15:

- Description of the service(s) that will be provided.
- Rates that will be charged for each service.
- Detailed description of how the rates were developed for each service that will be charged. This should include the projected costs by category and anticipated services.
- Budget (See sample Exhibit I) must include the total anticipate revenue and expense for all services for the fiscal year. For expenses, the information must include at a minimum; Salary Expense, Fringe Benefit Expense, Other than Personal Services Expense, and F&A Costs (Minimum rate of 32.5% of Total Direct Costs (TDC)). For revenue, the information must include a plan for total projected services and related projected revenue from Internal and External sources. For example, 15,000 photocopies at .25 per copy for a total of \$3,750 in projected revenue.

4.16.3. Account Maintenance

The account(s) will be established in RFMH Grant Accounting System with the Institute Deputy Director for Administration or Director for Research Administration as the Project Director. All accounts will be established at the Institute level and will have a funding source of **"RFMH Funded"**. The award and project organization will be **"LOC (110, 210 or 310) Other Research Support"**. The account(s) will have a **minimum** F&A Cost Rate of 32.5% of TDC.

The Project Director has overall responsibility for ensuring that expenses on the account(s) are properly authorized, revenue is properly billed and collected, rates are properly established, and that any deficit or surplus is properly considered when future rates are established.

4.16.4. Billing

Whether the services are being billed to an internal account or an external customer, all services must be billed within 30 days and at a minimum the bill must include the customer name, customer address, customer contact, customer purchase order or contract number, service(s) provided, cost per service, total amount billed, billing terms of “Due Upon Receipt”, services payable to RFMH and RFMH address that the customer should mail the check for reimbursement of services provided. For internal billings, the bill should also include the RFMH Local Account Number and Project/Task/Award (PTA).

4.16.5. Collections

Services will be billed as follows:

4.16.5.1. *Internal Billings*

Internal charges will be collected by processing a “Zero Invoice”. Zero Invoicing is a process within the Foundation’s Grant Account System that allows you to transfer costs from one PTA to another. The Zero Invoice charges the account being billed by “Debiting” the appropriate expense category (photocopying, pharmacy expense, laboratory service, etc.) and the credit entry will be to the established centralized services account using the category **“RCH Recharges”**.

4.16.5.2. *External Billings*

Charges to organizations outside RFMH will be processed by sending a bill to the Institution requesting payment and a copy of the bill forwarded to the Foundation’s Controllers Office for entry into the Grants Accounting System thereby establishing an Accounts Receivable. The Foundation’s Controllers Office will be responsible for collecting the Accounts Receivable and depositing the collections using a category refund to the category **“RCH Recharges”**.

4.16.6. Account Review and Closeout

During the fiscal year the account will be in a surplus or deficit depending on the status of Revenue versus Expenses. When viewing the account through Oracle Project Summary Inquiry (PSI) or F-Task, the budget and actual figures will report the complete revenue and expense figures as compared to budget. Revenue will be recorded as a “negative” amount in the budget category **“RCH Recharges”**. Each fiscal year, the centralized services account will be closed and a new account established. Any surplus or deficit will be rolled forward to the new fiscal year account under the category of **“RCH Recharges”**.

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Exhibit I

| |
|----------------------|
| Sample/Sample/Sample |
|----------------------|

Research Foundation for Mental Hygiene, Inc.

Division: NYPI
Service: Pharmacy
Period: March 1, 2007 to March 31, 2008

Revenue

| | |
|---------------------------|----------------|
| Internal Charges | 225,000 |
| External Revenue | 50,000 |
| Carryover from Prior Year | 12,500 |
| Total Revenue | <u>287,500</u> |

Expenses

| | |
|----------------------------------------|-----------------------|
| Salary | 150,000 |
| Fringe (35%) | 52,500 |
| Total Personnel | <u>202,500</u> |
| Supplies | 15,000 |
| Equipment | 10,000 |
| Other | 5,000 |
| Total OTPS | <u>30,000</u> |
| Total Direct Expenses | <u>232,500</u> |
| Facility and Admin (25%) | <u>58,125</u> |
| Total Expenses | <u>290,625</u> |
| Excess/(Deficit) Revenue over Expenses | <u><u>(3,125)</u></u> |

| |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Revenue Assumptions: Internal charges of 150 protocols at \$1500 per and external charges of 25 protocols at \$2000 per. (Attach Further Details if available) |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|

4.17. Non-Immigrant Alien Policy

4.17.1. Background

More and more often principal investigators are finding it necessary to hire nonimmigrant aliens to fulfill their staffing needs. These aliens often start with an F or J visa, progress to an H visa, and ultimately need permanent residency status. Currently RFMH charges these costs to the account the person is working on, if allowable.

4.17.2. Purpose

To provide Principal Investigators/Project Directors the conditions under which RFMH will absorb the costs of sponsorship and fees associated with non-immigrant aliens.

4.17.3. Policy

When a Principal Investigator/Project Director or their designee inquires about obtaining permanent residency or a change of visa status for an applicant or current employee they must meet the following conditions in order for RFMH to bear the costs:

- Provide evidence that there are not any qualified U.S. residents available to fill the open position.
- Identify adequate funding source(s) for the employee's salary as well as the costs that are required by law to be borne by the employer.

All applications which list RFMH as the sponsor must be processed using one of RFMH's designated attorneys. Please contact Human Resources to obtain a list of attorneys.

If future amendments are made to this policy, notification will be sent to the Human Resource Department at each location for distribution to all Principal Investigator/Project Directors.

Section 5

Investment Policy

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5. GENERAL POLICIES

5.1. General Information

The Research Foundation for Mental Hygiene, Inc. (Corporat(e)(ion)) is a private, not-for-profit membership corporation organized in 1952, for the purpose of assisting and enhancing the research and training objectives of the New York State Department of Mental Hygiene and its component agencies; the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD) and the Office of Alcoholism and Substance Abuse Services (OASAS).

5.2. Background

The Corporate assets are invested in four pools as follows:

5.2.1. Liquid Pool

The Liquid Pool is maintained to accommodate the periodic fluctuation in cash flow requirements and shall be funded at a level necessary to satisfy this requirement. Cash flow shall be monitored daily by the Managing Director to project the balance necessary to meet future operating cash needs. Fund requirements in excess of operating cash needs will be liquidated and transferred from the Operational Pool. This pool generally includes the float resulting from outstanding checks issued but not cleared through the Corporate bank account.

5.2.2. Operational Pool

Consisting of Sponsored Program Advances, Board Designated Funds and Corporate balances. This is a pool of investments where generally the sponsor, Institute or Board of Directors (Board) has restricted the purposes for which the assets may be expended but may be used to satisfy daily operating cash needs. Funds are generally invested in this pool when the Liquid Pool has a cash surplus that is not needed in the near term. This pool will be invested primarily in fixed income securities.

5.2.3. Gift Pool/Fringe Benefits

Gifts (Tuttle/Notkin) are assets which the individual donor, Institute or Board may or may not have restricted the purpose for which the gifts and the related income may be used. The purpose for which the funds may be expended is determined by the donor and may be unrestricted, general in nature or restricted to a specific project or activity. This pool will be invested in long-term investment instruments.

Unless specifically categorized in Pool 3 above, all other funds managed by the Corporation are considered Operational.

5.3. Scope

This Statement of Investment Policy reflects the investment policy, objectives, and calculated constraints of the Corporation.

5.3.1. Purpose

The purpose of this Investment Policy, as set forth by the Finance Committee of the Corporation, is to:

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding for all involved parties of the investment goals and objectives of Corporate assets.
- Establish guidance and limitations to all investment managers regarding the investment of Corporate assets.
- Establish a basis for evaluating investment results.
- Manage Corporate assets according to prudent standards.
- Establish the relevant investment horizon for which the Corporate assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude, which will guide the investment management of the Corporation's portfolio of assets toward the desired results. It is expected that this policy will be reviewed annually to ensure that it continues to provide effective guidelines for the management of the total investment portfolio.

5.3.2. Definitions

"Finance Committee" shall refer to the Committee appointed by the Board in accordance with Corporate By-Laws. The Finance Committee shall make recommendations to the Board and provide guidance to the Treasurer in all matters relating to investments.

"Fiduciary" shall mean any individual or group of individuals that exercise discretionary authority or control over investment management or any authority or control over management, disposition or administration of the Corporate assets.

"Investment Manager" shall mean any individual or group of individuals, employed to manage the investments of all or part of the Corporate assets.

"Investment Advisor" shall mean any individual or organization that provides advisory services, including advice on investment objectives and/or asset allocation, manager search and performance monitoring.

"Securities" shall refer to the marketable investment securities that are defined as acceptable in this statement.

"Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met.

5.4. Responsibilities

The Board of the Corporation has delegated certain responsibilities with regards to Corporate investments. These include, but are not limited to the following:

5.4.1. Finance Committee

The Finance Committee shall make recommendations to the Board and provide guidance to the Treasurer and Managing Director in all matters relating to investments. It acknowledges its fiduciary responsibility for the conservation and prudent management of Corporate assets. More specifically, its responsibilities include:

- Complying with the provisions of all pertinent federal and state regulations and rulings.
- Developing investment objectives, asset allocation targets, investment guidelines, and performance measurement standards, which are consistent with the needs of the Corporation.
- Evaluating and appointing investment managers to invest and manage Corporate assets, and to appoint custodians and investment consultants.
- Communicating investment goals, objectives, and standards to investment managers, including any material changes that may subsequently occur.

5.4.2. Treasurer

In accordance with the Corporate By-Laws, the Treasurer shall be a member of the Finance Committee and shall be the primary Corporate Officer responsible for the care and custody of all funds and securities of the Corporation. The Treasurer shall report to the Board on a quarterly basis on the performance of investments.

5.4.3. Managing Director

The Managing Director shall have the day-to-day responsibility to manage investments as outlined in this Investment Policy and as amended from time to time. The Managing Director shall report to the Finance Committee and Treasurer on a quarterly basis on the performance of the investments and shall make periodic recommendations on changes to this Policy.

5.4.4. Investment Advisors

The investment advisors will provide the Corporation's Board, Finance Committee and Management with objective advice. The responsibilities include:

- Providing performance evaluation reports. Reports will include absolute and relative performance results of the investments relative to performance objectives and guidelines.
- Providing advice on investment guidelines, asset allocation and manager structure; alert the Finance Committee of any adverse developments concerning the investments and the performance of the managers; report on market trends and

external change; provide ongoing education on the latest investment trends, policy insights, and analytical techniques.

- Meeting at least annually for a formal performance review or at other such times as the Finance Committee, Treasurer or Managing Director may reasonably request.

5.4.5. Investment Managers

In recognition of their role as fiduciaries of the Corporation's portfolio of assets, investment managers must assume the following responsibilities:

- Managing the assets under its management in accordance with the Policy guidelines and objectives expressed herein.
- Meeting or exceeding the manager specific benchmarks expressed in the Investment Objectives and Goals section.
- Exercising investment discretion within the guidelines and objectives stated herein. Such discretion includes decisions to buy, hold or sell securities.
- Meeting at least annually for a formal performance review or at other such times as the Finance Committee, Treasurer or Managing Director may reasonably request.

5.4.6. Custodian

The custodian banks will be responsible for performing the following functions:

- Physically (or through agreement with a sub-custodian) maintaining possession of securities.
- Collecting interest and dividend income.
- Processing all investment manager transactions.
- Collecting proceeds from maturing securities.
- Providing monthly statements by investment account and a consolidated statement of all assets.
- Performing regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the investment accounts.

5.5. General Investment Principles

- Investments shall be made solely in the interest of the Corporation.
- The funds shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
- Investments shall be so diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

- Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity and return.

5.6. Investment Objectives and Goals

In order to meet its needs, the investment strategy of the Corporation is to emphasize total return; that is, the aggregate return from capital appreciation and interest and dividend income.

Specifically, the primary objective in the management of the Corporate assets shall be to achieve returns in excess of inflation and established benchmarks. Risk control is an important element in the investment of the Corporate assets.

The secondary objective in the investment management of the Corporate assets shall be to emphasize long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated in as much as it is consistent with the volatility of a comparable market index.

Over the investment horizon established for each investment pool, the goal shall be to:

- Meet or exceed the market index, or blended market index, selected and agreed upon by the Finance Committee for each investment pool that most closely corresponds to the style of investment management.
- Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

5.7. Investment Guidelines

5.7.1. Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to cure shortfalls in cash flow, the Managing Director will periodically provide an estimate of projected net cash flow. The Managing Director will notify the investment managers in a timely manner to allow sufficient time to analyze investments targeted for sale to establish the necessary liquid reserves.

5.7.2. Marketability of Assets

The Board requires that all Corporate assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Corporation, with minimal impact on market price.

5.7.3. Allowable Assets

5.7.3.1. *Cash Equivalents*

- Treasury Bills
- Money Market Funds
- Commercial Paper (rated investment grade A1 or better)

- Banker's Acceptance
- Repurchase Agreements
- Certificates of Deposit

5.7.3.2. *Fixed Income Securities*

- U.S. Government and Agency Securities
- Corporate Notes and Bonds (rated investment grade BBB by at least 2 of the 3 major rating agencies Standard & Poors, Moodys, and Fitch, including up to and not to exceed 15% of the Fixed Income portion of the total portfolio when combined with Fixed Income Securities of Foreign Governments and Corporations. The average quality rating of the total portfolio shall also not be less than Aa/AA at any time)
- Mortgage Backed Bonds and Commercial Mortgage Backed Securities
- Asset Backed Securities (rated investment grade AAA)
- Preferred Stock
- Fixed Income Securities of Foreign Governments and Corporations (rated investment grade BBB by at least 2 of the 3 major rating agencies Standard& Poors, Moodys, and Fitch, including up to and not to exceed 15% of the Fixed Income portion of the total portfolio when combined with Corporate Notes and Bonds. The average quality rating of the total portfolio shall also not be less than Aa/AA at any time)
- Planned Amortization Class Collateralized Mortgage Obligations (PAC CMO's) or other "early tranche" CMO's

5.7.3.3. *Equity Securities*

- Common Stocks
- Exchange Traded Funds (ETFs) (other than Pharmaceuticals)
- Convertible Notes and Bonds
- Convertible Preferred Stocks
- American Depositary Receipts (ADRs) of Non-U.S. Companies
- Stocks of Non-U.S. Companies (Ordinary Shares)

5.7.3.4. *Mutual Funds*

- Mutual Funds that invest in securities as allowed in this statement.

5.7.3.5. *Other Assets*

- Guaranteed Investment Contracts

5.7.3.6. *Prohibited Assets:*

- Commodities and Futures Contracts (Commodity ETFs permitted as equities)
- Private Placements
- Options
- Limited Partnerships
- Venture-Capital Investments
- Real Estate Properties
- Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMO's
- Initial Public Offerings (IPO's)
- Derivative Investments
- Direct Investment in Common Stocks of Pharmaceutical Companies

5.7.3.7. *Prohibited Transactions*

- Short Selling
- Margin Transactions

5.7.3.8. *Alternative Assets*

Investments in Hedge fund of funds are allowable within allocation guidelines provided in this document AND only with written approval of the Board prior to the investment. The objective of any alternative investment will be to improve the risk/return profile of the portfolio with particular focus on risk reduction. The prohibited assets and transactions listed above would not pertain to any alternative investment.

5.7.3.9. *Asset Allocation Guidelines*

In order to have a reasonable probability of consistently achieving the Corporation's long-term return objectives, the Finance Committee has adopted the asset allocation policies outlined below for the managed pools.

Liquid Pool – The liquid pool consists of funds that are maintained for the periodic fluctuation in cash flow requirements. The weighted average maturity for this investment pool shall not exceed one year.

| Asset Class | Percentage Target Allocation | Percentage Allowable Range |
|-------------------------------|------------------------------|----------------------------|
| <i>Core Capital</i> | <i>100%</i> | <i>0% - 100%</i> |
| Ultra Short-Term Fixed Income | 100% | 0% - 100% |
| <i>Liquidity</i> | <i>0%</i> | <i>0% - 100%</i> |
| Cash & Cash Equivalents | 0% | 0% - 100% |
| <i>Total</i> | <i>100%</i> | |

Operational Pool – The operational pool consists generally of sponsor cash advances and other corporate fund balances. The eligible maturities range from 1 year to 5 years with the average maturity of approximately 2 years.

| Asset Class | Percentage Target Allocation | Percentage Allowable Range |
|-----------------------------------------|-------------------------------------|-----------------------------------|
| <i>Return Enhancement</i> | <i>20%</i> | <i>0% - 55%</i> |
| Large Cap Domestic Equities | 7% | 0% - 20% |
| International Equities | 3% | 0% - 15% |
| Tactical Asset Allocation / Real Return | 10% | 0% - 20% |
| <i>Core Capital</i> | <i>80%</i> | <i>40% - 100%</i> |
| Intermediate Fixed Income | 40% | 20% - 50% |
| Short-Term Fixed Income | 40% | 20% - 50% |
| <i>Liquidity</i> | <i>0%</i> | <i>0% - 25%</i> |
| Cash & Cash Equivalents | 0% | 0% - 25% |
| <i>Total</i> | <i>100%</i> | |

Endowment/ Fringe Benefits Pool – The endowment pool is comprised of gifts for which the donor has stipulated, as a condition of the gift, the purpose for which the funds may be expended. This pool shall have a long-term (10 year) investment horizon.

| Asset Class | Percentage Target Allocation | Percentage Allowable Range |
|-----------------------------------------|-------------------------------------|-----------------------------------|
| <i>Return Enhancement</i> | <i>75%</i> | <i>30% - 85%</i> |
| All Cap Domestic Equities | 24.0% | 15% - 40% |
| US Dividend Equity | 10.0% | 0% - 15% |
| Global Equities | 8.0% | 0% - 15% |
| International Equities | 13.0% | 10% - 25% |
| Opportunistic Fixed Income | 10% | 0%-15% |
| Tactical Asset Allocation / Real Return | 10% | 5% - 20% |
| <i>Core Capital</i> | <i>20%</i> | <i>10% - 35%</i> |
| Intermediate Fixed Income | 20% | 10% - 35% |
| <i>Liquidity</i> | <i>5%</i> | <i>0% - 25%</i> |
| Cash & Cash Equivalents | 5% | 0% - 25% |
| <i>Total</i> | <i>100%</i> | |

In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Managing Director will instruct the investment managers to bring the portfolio into compliance with the Policy guidelines as promptly and prudently as possible.

5.7.3.10. *Guidelines for Equity Diversification*

The Finance Committee does not believe it is necessary for securities that are held in the portfolio to represent a cross section of the economy. However, in order to achieve a prudent level of portfolio diversification, the securities of any one company should not exceed 5% of the total fund, at cost. Also, no more than 25% of the total fund should be invested in any one industry at cost.

5.7.4. General Matters

5.7.4.1. *Conflict of Interest*

Officers, Directors and Members of the Corporation shall not have a financial or personal relationship with any investment manager being considered. No independent investment advisor retained by the Corporation, or any entity, in which such advisor may have an interest, shall be a party to any transaction with, or have a financial or other interest in, any investment manager providing services to the Corporation.

5.7.4.2. *Code of Ethics*

In an effort to maintain the highest ethical standards appropriate for the management and safeguarding of the Corporate assets, the investment managers and investment advisors will completely adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct, as delineated in CFA Institute's most recent edition. Officers, Directors, Members and staff will adhere to the Corporation's internal policy on ethical behavior.

5.7.5. Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this Statement of Investment Policy, the Finance Committee plans to review the Investment Policy annually.

5.8. Appendix A: Investment Performance Objectives & Guidelines

The following requirements and guidelines have been established to ensure that assets are managed in a manner consistent with the investment objectives described previously. These guidelines will be reviewed at least annually. Performance and risk benchmarks have been established for each of the asset classes currently being utilized in the portfolio.

When investing through a pooled fund it will be recognized that the fund will be managed within the guidelines established via the fund's offering prospectus. While funds will be selected which are consistent with this policy, it should be noted that at times the positioning of the fund may fall outside of the stated guidelines of this document.

5.8.1. Intermediate Fixed Income

The portfolio invests in a well-diversified portfolio of fixed income securities that will achieve an above average return from both income and price appreciation. This style is designed to produce superior total returns, utilizing an actively managed discipline centered on identifying undervalued fixed income investments.

5.8.2. Intermediate Fixed Income Objectives

- On average, over three-year rolling periods, the total return of this portfolio should exceed the Barclays Capital Intermediate Government/Credit Index (net of fees).
- On average, over three-year rolling periods, it is expected that portfolio performance remain ahead of the median manager within the universe of similar style managers.

5.8.3. Intermediate Fixed Income Guidelines

- The duration of the portfolio is intended to be intermediate term in nature and should remain within 25% of the benchmark index's duration (Barclays Capital Intermediate Government/CreditIndex).
- Risk, as measured by standard deviation, will be similar to or less than the benchmark Index (Barclays Capital Intermediate Government/CreditIndex).
- Securities other than those issued by the U.S. government, including agencies, are limited to 5% of the Fund assets per issuer.
- The large majority of the individual securities held in the portfolio should be rated "investment grade", with the minimum rating of 'BBB' by S&P or Moody's.

5.8.4. Fixed Income – Short-Term

The short-term fixed income portfolio invests in a well-diversified portfolio of fixed income securities that will generate an average return above money market instruments while protecting the principal of the fund. The short-term fixed income portfolio will invest only in investment grade securities utilizing a short-term duration target.

5.8.4.1. *Short-Term Fixed Income Objectives*

- On average, over rolling three-year periods, the total return (net of fees) of this short-term fixed income portfolio should meet or exceed its comparative benchmark, the Barclays Capital 1-5 Government/Credit Index.
- On average, over three-year rolling periods, it is expected that short-term fixed income portfolio performance should exceed the return of the median manager within the universe of similar style managers.

5.8.4.2. *Short-Term Fixed Income Guidelines*

The investment manager will make all decisions concerning duration, maturity structure, sector and individual securities within the constraints of the following investment guidelines:

- The duration of the short-term fixed income portfolio is intended to be short term in nature and should remain within 25% of the benchmark index's duration (Barclays Capital 1-5 Government/Credit Index).
- Risk, as measured by standard deviation, will be similar to or less than the benchmark Index (Barclays Capital 1-5 Government/Credit Index).
- Securities other than those issued by the U.S. government, including agencies, are limited to 5% of the short-term fixed income portfolio assets per issuer.
- All securities should be rated "investment grade", with the minimum rating of "BBB" by S&P or Moody's.
- Futures, options or other derivatives are permitted only for hedging purposes.

5.8.5. Fixed Income – Ultra-Short Term

This strategy consists of a well-diversified portfolio of ultra-short maturity fixed income securities that will strive to generate a return from both income and price appreciation. Over-time this portfolio should generate excess returns above money market securities with a minimal amount of additional risk.

5.8.5.1. *Ultra-Short-Term Fixed Income Objectives*

- Over rolling three-year periods, the total return of this portfolio should exceed (net of fees) its comparative benchmark, Barclays U.S. Treasury Bellwethers: 1 Year Index.
- At a minimum, over three-year rolling periods, it is expected that portfolio performance remain ahead of the median manager within the universe of similar style managers.

5.8.5.2. *Ultra-Short-Term Fixed Income Guidelines*

The investment manager will make all decisions concerning duration, maturity structure, sector and individual securities within the constraints of the following investment guidelines:

- The duration of the portfolio is intended to be short term in nature, with its duration generally between 0-2 years.
- Risk, as measured by standard deviation, will be similar to or less than the benchmark Index (Barclays U.S. Treasury Bellwethers: 1 Year Index).
- The average quality of the total portfolio should be at least 'A+'.
- Reasonable diversification should be maintained, with no more than 3% of fixed income assets allocated to any one issuer (Treasury and Government Agency Bonds excluded).
- Use of derivatives for speculative purposes is prohibited.

5.8.6. Fixed Income – Opportunistic

The investment objective is to provide a well-diversified portfolio of fixed income securities that will achieve above average performance in the long term. The opportunistic fixed income portfolio will be well diversified, with attention to providing high current income.

5.8.6.1. *Opportunistic Fixed Income Objectives*

- On average, over rolling three-year periods, the total return of this opportunistic fixed income portfolio segment should exceed the Barclays Capital Universal Index and the Citigroup World Government Bond Index.
- On average, over three-year rolling periods, it is expected that portfolio performance remain ahead of the median manager within the universe of similar style managers.

5.8.6.2. *Opportunistic Fixed Income Guidelines*

The investment manager will make all decisions concerning duration, maturity structure, sector and individual securities (within the constraints of the investment guidelines).

- Risk as measured by standard deviation will be similar to the benchmark indices (Barclays Capital Universal Index and Citigroup World Government Bond Index)
- Average quality of the total opportunistic fixed income portfolio should be at least 'A'.
- Reasonable diversification should be maintained with no more than 2% of opportunistic fixed income assets allocated to any one corporate issuer.

5.8.7. Large Capitalization Domestic Equity

This portfolio invests in stocks of large capitalization companies (capitalization in excess of \$10 billion) that can provide consistent growth of capital and a modest level of income with a level of risk similar to the broad US equity market.

5.8.7.1. *Large Capitalization Domestic Equity Objectives*

- On average, over three-year rolling periods, the total return of this portfolio segment should match (gross of fees for passive managers) or exceed (net of fees for active managers) the Standard & Poor's 500 Index.
- On average, over three-year rolling periods, it is expected that the manager's portfolio performance remain ahead of the median manager's within a similar- style manager universe.

5.8.7.2. *Large Capitalization Domestic Equity Guidelines*

- Risk, as measured by standard deviation, should be similar to the benchmark index (S&P 500 Index).
- Reasonable diversification should be maintained, with no more than 5% of equity assets allocated to any single company stock investment. No single industry group allocation should exceed 20% of the portfolio's market value.
- Investments in any equity related derivatives for speculative purposes are prohibited.

5.8.8. All Capitalization Domestic Equity

This portfolio invests in stocks of companies that can provide consistent growth of capital and a modest level of income with a level of risk similar to the broad US equity market.

5.8.8.1. *All Capitalization Domestic Equity Objectives*

- On average, over three-year rolling periods, the total return of this portfolio segment should match (gross of fees for passive managers) or exceed (net of fees for active managers) the CRSP US Total Market Index.
- On average, over three-year rolling periods, it is expected that the manager's portfolio performance remain ahead of the median manager's within a similar- style manager universe.

5.8.8.2. *All Capitalization Domestic Equity Guidelines*

- Risk, as measured by standard deviation, should be similar to the benchmark index (CRSP US Total Market Index).
- Reasonable diversification should be maintained, with no more than 5% of equity assets allocated to any single company stock investment. No single industry group allocation should exceed 20% of the portfolio's market value.
- Investments in any equity related derivatives for speculative purposes are prohibited.

5.8.9. US Dividend Equity

The portfolio invests in stocks of large capitalization, U.S. based companies while emphasizing stocks with a record of growing their dividends year over year.

5.8.9.1. *US Dividend Equity Objectives*

- On average, over three-year rolling periods, the total return of this portfolio segment should match (gross of fees for passive managers) or exceed (net of fees for active managers) the NASDAQ US Dividend Achievers Select Index.
- On average, over three-year rolling periods it is expected that portfolio performance will remain ahead of the median manager within the universe of similar style managers.

5.8.9.2. *US Dividend Equity Guidelines*

- Risk, as measured by standard deviation, will be similar to or less than the benchmark Index.
- Reasonable diversification should be maintained, with no more than 5% of assets allocated to any single stock investment. No single industry group allocation should exceed 20% of the portfolio's market value.
- Investments in any equity related derivatives for speculative purposes are prohibited.

5.8.10. Global Equity

The investment objective is to achieve long-term capital appreciation by investing in a broadly diversified global equity portfolio. The fund will invest in well-established companies that have above-average market appreciation potential, based in the countries that comprise the Morgan Stanley Capital International (MSCI) World Index.

5.8.10.1. *Global Equity Objectives*

- On average, over three-year rolling periods, the total return of this portfolio segment should match (gross of fees for passive managers) or exceed (net of fees for active managers) the MSCI World Index (net of fees).
- On average, over three-year rolling periods it is expected that portfolio performance will remain ahead of the median manager within the universe of similar style managers.

5.8.10.2. *Global Equity Guidelines*

- Risk, as measured by standard deviation, will be similar to or less than the benchmark Index.
- Reasonable diversification should be maintained with no more than 5% of global equity assets allocated to any one security, and no more than 30% allocated to any one country.
- Use of currency hedging is permitted, but should be limited to strategies which are defensive in nature.

5.8.11. International Equity

The investment objective is to achieve long-term capital appreciation by investing in a broadly diversified international portfolio. The fund will invest in well-established companies that have above-average market appreciation potential, based in the countries that comprise the Morgan Stanley Capital International (MSCI) All Country World ex-

U.S. index. The fund will primarily invest in Europe, Australia, the Far East and Canada. Additionally, up to 35 percent of total assets may be invested in emerging economies in the Far East, Africa, Europe and Central and South America.

5.8.11.1. *International Equity Objectives*

- On average, over three-year rolling periods, the total return of this portfolio segment should match (gross of fees for passive managers) or exceed (net of fees for active managers) the MSCI All Country World ex-US Index (net of fees), MSCI EAFE Index (net of fees), or FTSE Global All Cap ex-US Index (net of fees).
- On average, over three-year rolling periods it is expected that portfolio performance will remain ahead of the median manager within the universe of similar style managers.

5.8.11.2. *International Equity Guidelines*

- Risk, as measured by standard deviation, will be similar to or less than the benchmark Index.
- Reasonable diversification should be maintained with no more than 5% of international equity assets allocated to any one security, and no more than 30% allocated to any one country.
- Use of currency hedging is permitted, but should be limited to strategies which are defensive in nature.

5.8.12. Real Return / Tactical Asset Allocation

The role of the Real Return manager is to invest in multiple asset classes, on an opportunistic basis, in order to generate a real rate of return above inflation (total return less inflation). The strategy seeks maximum real return, investing for both current income and capital appreciation (price movements), consistent with preservation of capital and prudent investment management. Tactical asset allocation will be utilized to continually position the portfolio in attractively valued asset classes.

5.8.12.1. *Real Return Objectives*

- Over rolling three-year periods, the total return of this real return strategy should exceed (net of fees) its comparative benchmark, the Barclays Capital U.S. TIPS 1- 10 Year Index (which is an unmanaged market index comprised of all U.S. inflation-linked indexed securities with maturities of 1 to 10 years).

- It is expected that this real return strategy will exceed (net of fees) its secondary benchmarks - specifically a custom benchmark which is based on the manager's asset allocation; as well as CPI+6.5%.

5.8.12.2. *Real Return Guidelines*

This strategy will utilize proprietary analytical models to determine the desired asset allocation of the fund. The strategy will adhere to the following guidelines:

- The strategy may invest in alternative markets, including Treasury Inflation-Protected Securities (TIPS), commodities, REITS and global precious metals, as well as traditional asset classes – global stocks and cash.
- The strategy will actively manage its asset mix to concentrate on the asset classes that are priced to provide attractive returns.

Section 6

Purchasing

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6. PURCHASING

6.1. Competitive Bidding

To maximize the value obtained from research funds, competitive bidding shall be used to the maximum extent feasible. This requirement is satisfied by purchasing items under NYS contracts, thereby using the NYS competitive bidding process. If suitable items are unavailable through NYS contracts, formal bids may be necessary, depending on the conditions set forth below. When a bidding process is used, records of bids received shall be submitted to the Research Foundation for Mental Hygiene's [RFMH] Central Office or maintained at the Institute Business Office for permanent retention in the account file, after the contract (purchase order) is awarded. Institute officials shall not purchase unnecessary duplicate items. The equipment inventory system shall be used to determine if the RFMH has available equipment to meet project requirements before purchasing the new equipment. If the conditions of any grant or contract require more stringent purchasing and/or procurement procedures than those set forth below, RFMH will abide by the sponsor's requirement for that project only.

6.1.1. Bidding Policy

- All items for goods and services valued at \$100,000 or more may require a formal bidding process, depending on the specific stipulations of the grant or contract. When formal bidding is required, a request for proposal (RFP) and an invitation to bid shall be written and sent to at least three (3) vendors. The RFP shall be based on a clear and accurate description of the technical requirements for the material, product or service to be procured. This shall not include features which limit competition. Brand name or equal descriptions may be used to define performance or other salient requirements. When so used, the specific features of the named brand which must be met by bidders shall be clearly specified. All bids received through formal bidding process shall be opened at a designated place and time. Each bidder shall be advised of the time and place of the opening.
- All items with a purchase value of \$25,000 or more require solicitation of three (3) written price quotations to be retained in the grant or contract file.
- Items with a value of less than \$25,000 require the solicitation of three (3) written or verbal quotations. A written record of these quotations shall be made and filed in the grant or contract file.

6.1.2. Selection/Award Process

Price or cost analysis shall be made in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations, market prices, or similar indicators, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability.

6.1.2.1. *Documentation*

Procurement records and files for purchases shall include the following:

- Basis for vendor selection
- Justification for lack of competition if competitive bids or offers are not obtained
- Basis for award cost or price

6.1.3. **Other Procurement Requirements**

- Positive efforts shall be made by RFMH to use small, women-owned and minority-owned business sources of supplies and services. Such efforts shall allow these sources the maximum feasible opportunity to compete for federally funded contracts. Lists of certified vendors may be obtained from New York State Department of Commerce, Minority Business Development.
- The type of procuring instruments used, e.g. fixed price contracts, cost reimbursable contracts, purchase orders, incentive contracts, shall be determined by the Institute but must be appropriate for the particular procurement and for promoting the best interest of the program involved. A checklist is used to determine whether the procurement is a contractor or a subrecipient.
- Contracts shall be made only with responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record or past performance, financial and technical resources and accessibility to other necessary resources. Contractors are debarred at time of contract set up to ensure due diligence.
- All proposed sole source or single source contracts, or where only one bid or proposal is received, shall contain documentation that clearly demonstrates why competitive solicitation was not possible and how the price was determined to be reasonable for the goods or services received.
- All contracts and sub-contracts shall include, in addition to provisions that define a sound and complete agreement, the following provisions:
 - Provisions or conditions that will allow for administrative, contractual or legal remedies in instances in which contractors violate or breach contract terms, and provide for such remedial actions as may be appropriate.
 - Provisions for termination by RFMH including the manner by which termination will be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.

- A provision requiring the compliance with Executive Order 11246, entitled “Equal Employment Opportunity” as amended by Executive Order 11375, and as supplemented in Department of Labor regulations (41 CFR, Part 60).
- Contracts or agreements, the principal purpose of which is to create, develop or improve products, processes or methods, or for exploration into fields that directly concern public health, safety or welfare; or contracts in the field of science or technology in which there has been little significant experience outside of work funded by federal assistance, shall contain a notice to the effect that matters regarding rights to inventions and materials generated under the contract or agreement are subject to the regulations issued by the federal sponsoring agency and RFMH. The contractor shall be advised as to the source of additional information regarding these matters.
- All negotiated contracts awarded by RFMH from federal project funds shall include a provision to the effect that RFMH, the federal sponsoring agency, the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions.
- Purchasing agents and others charged with obtaining goods and services shall negotiate with suppliers on the behalf of the Research RFMH, for the most favorable possible terms. These terms include the lowest cost consistent with acceptable quality, delivery schedule, freight charges, the right of inspection prior to acceptance, the right to reject partially filled orders, the right to cancel orders not delivered timely and any other terms and conditions connected with the acquisition.
- Those personnel who carry out RFMHs’ procurement function are in a position of particular trust. They shall never, under any circumstances, conduct themselves in a way that would suggest that their purchasing decisions could be influenced by any considerations other than the highest professional standards. Any RFMH employee or person acting on behalf of RFMH whose behavior suggests that improper vendor influence has affected his business judgment is subject to dismissal from RFMH employment or disbarment from participation in future programs or projects. Furthermore, RFMH will cooperate fully with law enforcement agencies in the prosecution of any employee who violates a criminal statute while allegedly acting for RFMH.
- All contracts for goods and services including construction contracts shall include appropriate flow down clauses required by the federal government. RFMH has prepared a list of all such clauses which is attached to formal contract agreements. In addition, these clauses appear on the reverse RFMH Purchase Orders.

6.1.4. Forms Used for Purchasing and Vendor Payments

Orders for supplies and equipment to be charged against Research RFMH accounts will be placed with the vendors and processed by those responsible for purchasing at the local Institute using only standard RFMH approved purchase order forms. Their use is described below.

- Purchases may be initiated by completing a purchase requisition, including the project/task/award and budget category (type of purchase) to be charged and the authorizing signature from the Project Director or his representative.
- Completed requisition forms should be given to the local business office where the purchase order will be processed. The local business office will verify that sufficient funds are available in applicable categories of the approved budget and that the award terms, sponsor guidelines, and if applicable, federal purchasing regulations permit the purchase requested. The business officer also makes certain that proper procurement practices are followed.
- Data from the purchase requisition is entered into the grants accounting system which simultaneously encumbers the proper amount and prints a purchase order. Procurement action is initiated upon signing the purchase order.
- After receipt has been properly acknowledged and recorded, the receiving record shall be retained by the Institute or other research unit. When the invoice is received it shall be marked “Items Received”, the invoice shall be approved for payment, signed by the appropriate authorized person, dated, and forwarded to the Central Office or the Business Office for payment. It is essential that the invoice show the same vendor as the purchase order and that the invoice includes the purchase order number. If the invoice is a partial shipment, it should be clearly marked as such. When the final invoice is received to complete the purchase order, it shall be clearly marked to indicate a final payment is to be made.
- When payment is made for services for which a purchase order is inappropriate (such as telephone or utility bills, consultant payments, etc.) the pay order may be used to request a check. The invoice or other documentation or certification must be attached to the pay order and sent to the Central Office or the Business Office. Payment is made based on the pay order and the attached invoice. Alternatively, the invoice may be rubber-stamped with “Approved for Payment” stamp provided by the Central Office. This stamp requests the information and authorization signatures needed to process a vendor payment. A special form of pay order is used for consultant and vendor payments.

6.1.5. Project Director/Business Office Responsibility

To expedite delivery of materials and services ordered, Project Directors and Business Offices shall:

- Be certain that the items are allowable purchases under the terms of the grant or contract.
- Ensure that there are sufficient funds within the appropriate budget category of the award. If not, explore possible rebudgeting.
- Consult sponsor regulations (or ask the Business Office to do so) if it is necessary to deviate from the requirements included in the application and/or approved in the award, so that all required approvals are obtained prior to issuing a purchase order.
- Order as far in advance as funds and planning will permit. To obtain sufficient lead-time for complex purchases, contact the Business Office before the award's effective date.
- Assure that the purchase requisition contains accurate data, particularly such items as account number, a complete description of the items desired, the delivery point, and the days of the week and times of the day when delivery will be accepted. Be certain that the arrangements for shipping are understood by all parties. If RFMH is to pay shipping, include an allowance for these costs in the encumbrance.
- Avoid making commitments directly to vendors, as such action may inadvertently violate a sponsor or RFMH requirement regarding purchasing procedures.
- Once an order has been accepted, process the receiving copy promptly, so that the vendor may be paid timely, the integrity of the account is maintained and any available discounts may be taken.
- Emergency verbal orders placed with vendor shall include a PO number (obtained from the Business Office) and shall be immediately followed with a written purchase order bearing a statement "Confirmation of verbal order placed _____, 20 ____: DO NOT DUPLICATE". (Generally, invoices not bearing PO numbers shall be returned to vendors unpaid. Merchandise shall not be accepted from carriers without PO numbers).

6.1.6. Other Matters

- No employee shall be reimbursed for merchandise for which they have paid cash without adequate explanation and justification.
- RFMH is exempt from NYS sales tax. Employees will not be reimbursed for NYS sales tax paid for RFMH purchases. A form is available through the Central Office or your local business office to claim NYS sales tax exemption.

6.2. Consultants

Consultants may be retained and payment made from project funds under the following conditions:

6.2.1. Service is essential

There must be evidence that the services to be provided are essential and cannot be provided by RFMH staff receiving support under the project and/or that NYS DMH staff could not be used:

- A selection process was used to get the most qualified available consultant, considering the nature and extent of the consultation required.
- The fee is appropriate based upon the consultant's qualifications, normal charges.

6.2.2. Federal Employee

Federal employees generally may not be paid as consultants from federal funding sources.

6.2.3. New York State Employees

New York State employees may be paid as consultants in unusual cases with specific prior approval of the Director of the Institute, the Managing Director, and the New York State Division of Budget. The rate/fee to be paid NYS employees will be based on the actual hours worked and the hourly rate of the NYS position he/she holds.

6.2.4. Consultant Relationship

Care must be taken that the services obtained from an individual paid as a consultant, truly represent a consultant relationship and cannot be misconstrued as an employer-employee relationship.

6.2.5. Payment for Personal Services—Employee vs. Independent Contractor

The following guidelines are provided to assist in determining whether payment to individuals should be made as employees through payroll or as independent contractors through the vendor payment process. They are for internal use only. These guidelines are based on the Internal Revenue Service Circular E, "Employer's Tax Guide".

1. Anyone performing services subject to the will and control of an employer, both as to what shall be done and how it shall be done, is an employee for purposes of federal taxes. This applies even if the employer permits the employee considerable discretion and freedom of action.
2. Though not always applicable, some characteristics of an "employee" are that the employer has a right to discharge the employee and furnishes a work place and tools, supplies and equipment.
3. In general, individuals in business for themselves are independent contractors. For example, payments to physicians, lawyers, veterinarians, construction contractors, specialists in other areas and others who follow an independent trade, business, or

profession in which they offer their services to the public should be made through the vendor payment process.

4. If an employer-employee relationship does exist, describing the relationship as anything other than that of employer and employee is immaterial. It does not matter that the employee is designated as an independent contractor; nor does it matter how the payments are measured, or how they are paid, or what they are called; nor whether the individual is employed full or part time.
5. Payments to consultants or to others for technical or contractual services are generally of a limited non-recurring nature to someone who has special expertise and who generally offers these services to others and not just to the Research RFMH. The consultant relationship may be defined in a written or oral agreement.

Employees/Independent Contractors – Differences

- The employer has the right to discharge an employee for failing to adhere to the rules.
 - An independent contractor contract to produce, without breaking the contract, specified results. He/she cannot be dismissed as long as the end product is in accordance with contract specifications.
 - The employer-employee relationship is ongoing, although it may be for part-time or periodic services.
 - The independent contractor usually contracts for a specific job with no guarantee of a future relationship.
 - The employer-employee relationship is time worked.
 - Independent contractors are often paid a fixed fee.
 - Employees usually have a minor or limited investment in work clothes and tools. The employer often provides a place to work, tools and equipment.
 - Independent contractors often have an investment in equipment and/or premises.
6. Persons considered employees must be appointed through RFMH payroll process. Their payments are subject to income tax withholding. Proper distinction is necessary in order to comply with Internal Revenue Service regulations. If the status of an individual is questionable, the RFMH Controller should be consulted before an offer is made to pay an individual as a consultant through the vendor payment process.
 7. This policy is consistent with DHHS policy (Public Health Service Grants Policy Statement, pages 16, 18 and 19, revised October 1, 1976), DHEW Publication # (US) FF-550000 and the master contract between the Research Foundation for Mental Hygiene and New York State.

6.2.6. Documentation for Payment of Consultant Costs

Minimum documentation for payment of consultant costs must be obtained in an invoice which includes the following:

- Date of invoice
- Name, address and business affiliation of consultant
- Consultant's Social Security or Federal Employer Identification number
- Description of services rendered
- Dates of performance
- Computation of fee
- Statement of related expenses
- Contract, agreement or purchase order number. RFMH provides a form to document this information and to request consultant payments.

6.2.7. Honoraria

An honorarium is not an allowable expense under Federal guidelines. The primary intent is to “confer distinction on, or to symbolize respect, esteem or admiration for the recipient”. A payment for services rendered, such as a speaker's fee under a conference grant, is allowable.

6.3. Subcontracting

To carry out particular program elements of an award, it may be necessary to enter into subcontracts with other organizations. Subcontracts are written agreements between RFMH and the organization that is responsible for completing the work. Subcontracts shall be written either as fixed price or on a cost-reimbursable basis. When a subcontract is contemplated, and technical assistance is required from the Central Office, the Project Director, working through the local institute, should supply the Central Office with the following information:

- The exact name and address of the subcontractor, the status of the subcontractor (corporation, partnership, sole proprietor, etc), subcontractor social security number or federal employer identification number, and DUNs number in the case of federal flow through
- A concise statement specifically setting forth the work the subcontractor will undertake.
- The agreed upon payment and detailed invoicing instructions.
- A time schedule for performance of the subcontract, including a start date and a termination date.
- A list of special or technical requirements.
- A list of key personnel.

The Central Office will prepare the subcontract based on the above information. The Central Office, the Project Director and the local Institute Business Officers will negotiate the agreement with the subcontractor. The selection of contractors and the awarding of subcontracts will be consistent with the general procurement policies described above.

The agreement with the subcontractor becomes binding only upon execution of a formal agreement between RFMH and the subcontractor and, if required, approval by the project sponsor. The subcontract must be signed by RFMH's Managing Director and an authorized subcontractor representative.

6.4. Other Project Related Agreements

In addition to subcontracts for program services, the Managing Director must sign project-related legal agreements such as:

- Releases
- Leases
- Rental agreements
- Equipment fabrication and purchase contracts
- Lease purchase agreements
- Publishing agreements
- Compound testing agreements
- Other legal instruments as required

These agreements do not involve the performance of a portion of the project by another organization as do subcontracts.

6.5. Travel Expense and Reimbursement

RFMH reimburses most, but not necessarily all, the costs of official travel on RFMH business. RFMH will reimburse ordinary and necessary travel expenses up to the upper limits listed below when the traveler provides adequate supporting documentation and explanations. All requests for reimbursement must contain a clear statement concerning the business purpose of the travel and how the travel relates to the funding source to which the expense is being charged. While the intent of the travel policy is to reimburse all the traveler's expenses in most cases, it is recognized that from time-to-time travelers will incur expenses which cannot be reimbursed, either because of sponsor policy or RFMH limits. If these excess expenses are business expenses, the traveler is advised to seek counsel from a personal income tax advisor on how these unreimbursed expenses may be claimed as an itemized tax deduction.

6.5.1. Guidelines and Responsibilities

6.5.1.1. *General*

- Employees are in travel status when they are more than 35 miles from both their official station and their home.
- Designation of your official station will be determined by management in the best interest of RFMH and not for the convenience of the employee.
- Travel between the employee's home and official station is considered commuting and should not be reimbursed.
- Expense reports should be submitted within 14 days of the end of the travel event in order to reimburse the traveler for out-of-pocket expenses.

6.5.1.2. *Traveler's Responsibility*

- know RFMH travel rules
- know your official station and its effect on (i) your eligibility for travel reimbursement, and (ii) the taxability of certain expenses
- obtain necessary approvals for travel, including method of travel
- secure the most economical method of travel in the best interest of RFMH
- obtain all necessary travel documents (e.g., expense report, tax exempt certificate, receipts)
- maintain an accurate record of expenses including departure and return times, and mileage
- include required receipts or documentation when submitting expense report
- submit claims for reimbursement for only actual allowed expenses within reimbursement rate limits
- promptly account for any cash advance received, or charges made to the corporate credit card
- complete and submit expense reports accurately, within 14 days of the end of the travel event

6.5.1.3. *Supervisor's Responsibility*

- know RFMH travel rules
- know your staff's official station and the effect of his or her travel reimbursement, including, where applicable, the taxability of reimbursement

- authorize travel only when necessary
- review travelers' itineraries in advance to ensure the most economical method of travel is used in the best interest of RFMH
- verify that expense reports are within allowable rates and all required documentation is included (e.g., scanned or attached) and that expenses are actual, reasonable and necessary
- review and approve expense reports in a complete and timely manner

6.5.2. Official Station

The official station is the employee's usual work location. The official station is designated by RFMH Business Office, and the designation must be in the best interest of RFMH. The purpose of an official station is to establish when the employee is in travel status and eligible for reimbursement of travel expenses. Travel between the employee's home and official station is considered commuting and is generally not reimbursable. The employee's home is considered to be in the city or town in which the employee primarily resides when working at his or her official station. If an employee works at more than one location, the employee's official station will normally be the employee's main place of business (i.e., the place where the employee works more time than any other work location).

6.5.3. Determining Travel Status

When employees are on assignment at a work location more than 35 miles from both their official station and their home, they are considered in travel status and are eligible for reimbursement of travel expenses in accordance with this Travel Policy. Employees must obtain appropriate approvals prior to traveling for an assignment.

6.5.4. Travel in Proximity

When an employee is assigned to work at an alternate work location which is less than 35 miles from either their home or their official station, the employee is not considered to be in travel status, but rather is considered to be traveling in the proximity of their official station. When traveling in the proximity of home or official station, an employee using a personal vehicle is, as outlined below, entitled to reimbursement of transportation expenses associated with travel:

- from home to an alternate work location
- between the official station and an alternate work location
- between alternate work locations
- from an alternate work location to the employee's home

When travel is from an employee's home to an alternate work location, or from an alternate work location to home, at a minimum, transportation expenses must be reimbursed using the lesser of 1) mileage between the employee's home and the alternate work location or 2) mileage between the employee's official station and the alternate work location, times the IRS mileage

reimbursement rate. This reimbursement method is called the “lesser of mileage rule.” If the traveler is required to incur other expenses such as tolls or parking that would otherwise not be incurred in their normal commute to their official station the additional cost are reimbursable.

When travel is between an employee’s official station and an alternate work location, or between two or more alternate work locations, transportation expenses must be reimbursed by payment for the actual mileage between such locations, times the IRS mileage reimbursement rate.

The expense of meals or lodging within the proximity of the official station will not normally be reimbursed unless it is in the best interest of RFMH, as determined by the Managing Director or the Head of the Institute's Business Office.

6.5.5. Lodging, Meals and Incidental Expenses

6.5.5.1. *Lodging Reimbursement*

Lodging will be reimbursed based on actual expense up to the maximum allowable Per Diem Rates issued by the U.S. General Services Administration <http://www.gsa.gov/portal/category/100120>. Conventions, conferences, meetings of associations or organizations and foreign travel have special travel reimbursement rules. See the Convention section below.

Travel on official RFMH business is exempt from New York and New Jersey taxes on occupancy of hotel rooms. Exemption certificates are available from RFMH business office. Reimbursement is allowed only for room occupancy taxes paid outside New York and New Jersey.

The use of prepaid rentals or third-party booking sites (Airbnb, Expedia, Hotels.com, etc.) for lodging during RFMH travel will be prohibited. These rentals require advance payment in full and RFMH fiscal policy does not allow for this.

6.5.5.2. *Meals and Incidental Expenses (M&IE)*

M&IE will be reimbursed for employees in travel status based on the Per Diem Rates published by the U.S. General Services Administration <http://www.gsa.gov/portal/category/100120>. Travelers who choose to charge these expenses directly to a corporate credit card cannot exceed the total published Per Diem. If they exceed the published Per Diem they must reimburse RFMH.

Attached (Attachment A) you will find a breakdown of breakfast, lunch, dinner and incidental expenses. These amounts are provided should you need to deduct any of those meals from your travel voucher. For example, if your trip includes meals that are already paid for by RFMH (such as through a registration fee for a conference), you will need to deduct those meals from your M&IE Per Diem on your voucher.

On the first and last travel day, employees are only eligible for 75 percent of the total M&IE rate for their temporary duty travel location.

Travelers are entitled to 75 percent of the prescribed meals and incidental expenses for one day travel away from your official station if it is longer than 12 hours. These payments are taxable per IRS regulations and will be included in taxable wages through payroll if an RFMH employee.

6.5.6. Conventions, Conferences and Meetings of Associations or Organizations

Lodging, meals and other reimbursements are limited to the minimum number of days required for attendance at the Conference or Convention. The day of departure to and the day of return from meetings and conventions are to be established in relation to activities published on the program and reasonable transportation arrangements and airline schedules. In certain circumstances, earlier departure and/or return will be reimbursed when the total cost of airfare, hotel, and meals is clearly demonstrated to be lower (such as a stay over Saturday night). Trip extensions for personal pleasure are not justifiable business expenses and cannot be reimbursed by RFMH. Such extensions should be clearly identified in the supporting documentation and all associated charges (e.g. hotel charges) should be deducted from the amount for which the traveler is seeking reimbursement.

Lodging reimbursement will be the actual room expenses up to the single room rate of the site hotel as published in the conference announcement. The median single room rate is used when multiple hotels are used with no site hotel. Tax exempt certificates should be used for lodging in New York and New Jersey. Where the room is occupied by two or more travelers, and each are requesting reimbursement, the reimbursement for each traveler will be allowed at pro rata share of the multiple room rate in the same manner as described above. If there is no site hotel and/or no published rates in the announcement, then the traveler will be reimbursed up to the federal per diem for that area.

<http://www.gsa.gov/portal/category/100120>

Meeting and convention meals included as part of the program will be reimbursed at the amount charged for those meals. The traveler may not be separately reimbursed for any meal included in registration fee.

Documentation to support travel expenses must include an agenda, conference flyer, registration form, or similar document indicating the meeting date(s) and times associated with the travel voucher and hotels listed in the announcement.

An RFMH or State employee attending a convention or meeting, who would not be considered in a travel status solely because the convention or meeting site is within thirty-five miles of his/her official work location, may be reimbursed for meal allowances as if he/she were in a travel status. Lodging costs may also be reimbursed if justification is attached, and if meeting and convention activities required attendance, and late hours of the function made

return home impractical. Prior approval from RFMH is recommended to prevent disallowances.

6.5.7. Foreign Travel

Foreign Travel, excluding Canada, may require advance written approval from the sponsor of the funding project, grant or contract. Always check with the Central Office or your Institute business office before making arrangements for foreign travel, so that the business officer may advise you of any restrictions on your project.

Travel expense reimbursement is subject to the federal per diem rates issued by the U.S. Department of State. https://aoprals.state.gov/content.asp?content_id=184&menu_id=78. General Services Administration, internet address referenced above. Further, travelers must comply with the Federal requirement that U.S. flag carriers be used when the commercial air transportation is the means of travel between the U.S. and a foreign country or between foreign countries. This requirement is not influenced by factors of cost, convenience, or personal travel preference. Documentation must be on file to indicate that the traveler obtained the required clearances for foreign travel before leaving.

6.5.8. Transportation

The most economical mode of transportation should be used.

6.5.8.1. *Air, Rail and Bus*

Travel should be limited to coach or economy class wherever available. Receipts are required. Explanations of exceptions must be attached to the travel expense voucher. Travel life and disability insurance is not reimbursable.

Transportation to and from airports should be by airport limousine (shuttle), rather than taxi, if such service is available. Reimbursement is at the published limousine rates. Taxis to and from airports will be reimbursed up to \$12.00 without a receipt. Reimbursement in excess of \$12.00 requires a receipt and written explanation. Use of taxis solely for the convenience of the traveler is not an adequate explanation.

6.5.8.2. *Personal Cars*

RFMH recognizes the occasional advantage of using personally owned vehicles. Use of personal cars solely for the convenience of the traveler is not appropriate without explanation. Mileage between your residence and work location is considered commuting mileage and is not reimbursable.

Reimbursement for use of personal cars, when appropriate, will be at the maximum allowed by the Internal Revenue Service plus tolls and parking. Tolls and parking will be reimbursed only when accompanied by receipts (except for meter parking). Gas, oil, maintenance, repairs, insurance, and traffic fines are not reimbursable.

6.5.8.3. Rental Cars

Reimbursement will be made for use of rental cars when accompanied by a receipt and a written justification for their use. The most economical vehicle is to be used. Justification should include a brief comparison with alternate modes of transportation that establishes a clear benefit for the use of rental cars. Car rentals must be approved by the DDIA or Business Officer. Charge for collision damage waiver is an allowable charge as part of car rental. Charge for personal accident insurance is a personal expense and is not allowable. Sales tax is reimbursable on car rentals outside of New York State and New Jersey only.

A vehicle log on which mileage and other information is recorded must be maintained when RFMH owned or vehicles on long-term leases are used.

6.5.8.4. Local Transportation

Local transportation expenses appropriate to the circumstances will be reimbursed, i.e., subways, bus, or taxi. Receipts must be attached for taxi fares in excess of \$7.00, including tip. When taxis are used, an explanation must be attached indicating origin and destination of trip. For taxi service to and from airports please see above.

6.5.9. Telephone and Internet

Local and long-distance telephone charges and internet connection charges incurred in connection with RFMH business while in travel status are reimbursable expenditures. Documentation must include the date, place and the name of the party called, the nature of the call, and the amount charged. If not charged on the hotel bill, copy of other billing must be attached.

6.5.10. Tips and Miscellaneous Charges

Tips and other miscellaneous charges are included in the M&IE Per Diem rates except for tips for local travel and tips for taxi and limousine charges to and from the airport.

6.5.11. Vouchers & Exceptions

To receive travel expense reimbursement the travel voucher and supporting documentation should be submitted within two weeks of return from travel and must be received by the earlier of the end of the grant or six (6) months. Vouchers received outside of this specified time frame will not be reimbursed.

6.5.11.1. Travel Expense Vouchers

Travel Vouchers must be submitted when expenses have been incurred even if there is no amount due the traveler because the expenses were charged to a corporate credit card or are covered by a travel advance.

Receipts for lodging, transportation, tolls, parking, taxis, and other charges for which receipts are required must be attached.

The purpose of the trip must be stated in sufficient detail to establish that the travel expenditures incurred are direct business expenditures of the account to be charged. Notations such as “to attend conference” are not sufficient to explain the relevance of the trip to the funding source. Sponsor policy and the budget of each grant, contract or account to be charged determine if the travel expenditure may be reimbursed. NB: Sponsor policies for a specific project may be more restrictive than RFMH travel policy.

6.5.11.2. Reimbursement Limitations, Documentation and Exceptions

Only actual and appropriate expenses essential to the necessary requirements of a traveler in the performance of official duties will be reimbursed. Reimbursement will not be paid for expenses which exceed authorized limits unless prior approval has been obtained from RFMH Central Office. The traveler may elect to exceed expenditure limitations to secure accommodations which suit their personal taste of convenience, however, those costs incurred in excess of the authorized limits are NOT reimbursable by RFMH. Cost differences must be clearly illustrated.

Requested exceptions to RFMH travel policy must be in writing and preferably in advance of the trip. These are reviewed by RFMH Central Office. Exceptions are only approved in highly unusual situations outside the traveler's control.

Section 7

Human Resources

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7. HUMAN RESOURCES (Revised October 2010)

7.1. General

The establishment and control of Foundation policies is solely vested in the Board of Directors. The Managing Director of the Foundation shall administer personnel policies promulgated by the Foundation's Board of Directors. Changes or amendments to formal personnel policies may be approved by the Board at any time.

Each principal investigator and supervisor shall be familiar with the Foundation's personnel policies. They shall consult the Managing Director if questions arise. At research institutes, institute administrative officers are designated to administer and interpret Foundation policies.

Exception to written policy or determination of the propriety of action in unique situations shall be made by the Managing Director. These exceptions or determinations shall be reported to the Board, and if appropriate, formal policies shall be amended to incorporate these determinations.

1. The policy of the Foundation is to consider all applicants for employment, job transfer, and promotion without regard to race, creed, color, sexual orientation, age, marital status, gender, disability, religion, national origin, military service, and arrest or conviction record. Physical or mental handicaps shall be considered only if they relate to legitimate job requirements. Labor law restrictions and associated regulations, such as the procedures for employing minors, shall be observed. The Foundation shall make affirmative efforts to provide employment and promotional opportunities to women, minorities, the handicapped and veterans under its affirmative action program.
2. Affirmative Action (AA) in the area of equal employment opportunity (EEO) extends throughout employment in recruitment, hiring, pay rates, training, transfers, promotions, layoffs and return to work, and employee benefits and compensation. Compliance with both the letter of the law and the spirit of fair employment shall be observed by all officers and employees.
3. Project Directors shall present all prospective employment offers to the Managing Director or designee for administrative approval before hiring. Scientific and technical conduct of sponsored programs, including selecting qualified personnel and submitting required progress reports shall be the responsibility of the Project Director.
4. Employment and promotional opportunities shall be posted for at least three (3) working days before openings are listed outside of Foundation sites. Internal applications will be considered with the applications received from outside the organization. However, the Foundation reserves the right to hire the most qualified applicant. All employment advertisements and internal postings shall include the phrase: "The Research Foundation is a private not-for-profit corporation and is not an agency or instrumentality of the State of New York. Employees of the Research Foundation are not state employees, do not participate in any state retirement

system, and do not receive state fringe benefits. An Equal Opportunity – Affirmative Action Employer

5. A reasonable number of candidates shall be considered for every opening to assure that the most qualified available person is appointed. Adequate records shall be kept to demonstrate that personnel and employment practices are fair, that standards relate to the particular job and that they are applied uniformly to all candidates. These records shall show how applicants were sought.
6. All Foundation employees are employed “at will”. That is, they may be dismissed at any time with or without cause by the Foundation. *No other statement in any Foundation publication or form in any way changes this employment relationship.*

7.2. Employee Status

As a private non-profit corporation, the Foundation is subject to the Fair Labor Standards Act (FLSA). Non-exempt Foundation employees are covered by the minimum wage, overtime pay and record keeping requirements of this federal law.

1. Exempt employees, generally grades fourteen (14) and above as determined by their job are covered by the Fair Labor Standards Act but exempt from some provisions of the law.
2. Non-exempt employees, generally grade thirteen (13) and below as determined by their job perform work other than executive, administrative or professional tasks as defined by the Fair Labor Standards Act and NYS Labor Law must receive extra pay for overtime work as legally required.
3. Hourly employees work irregular schedules and are eligible for only legally mandated benefits.
4. Fellows are not considered Foundation employees since the purpose of the association with the Foundation is to provide the fellow with valuable training and experience, not to provide the Foundation with services. Fellow’s pay and benefits are determined solely by the fellowship agreement between their sponsor and the Foundation.
5. In all cases, the waiting periods and other eligibility requirements specified for a particular fringe benefit apply to all employees who are otherwise eligible to participate.

7.3. Offers of Employment

All communication with applicants and offers of employment (verbal and written) must be consistent with funding and sponsor rules, Foundation policy, and legal requirements. When offers of employment are made, applicants must be made aware that employment with the Foundation is subject to the availability of funds and program needs and that there is no expressed or implied guarantee of employment retention.

An offer of Foundation employment is contingent on the prospective employee providing documentation that establishes proof of identity and eligibility to work in the United States.

7.3.1. Communication with Applicants

The Foundation uses a standard application form at all locations. The standard form:

1. Meets legal requirements with respect to questions asked.
2. Ensures that applicants for Foundation positions are aware of the Foundation's separate legal status as an employer.
3. Documents employee's qualifications for employment in a position.
4. Provides employee certification that data provided is true.

All written communication with applicants must be prepared on Foundation stationary and retained for a period of three (3) years.

7.3.2. Content of Offers

An offer of employment (verbal or written) with the Foundation must convey the following information:

1. The employer is the Research Foundation for Mental Hygiene, Inc., a private not-for-profit corporation.
2. The title, effective date and bi-weekly salary rate.
3. The appointment is contingent on proof of identity and employment eligibility.
4. Employment with the Research Foundation for Mental Hygiene, Inc. is terminable at will and subject to Foundation policies. This means that employment with the Foundation is subject to availability of funds and program needs and that there is no expressed or implied guarantee of employment retention. This may be stated "Your employment under this appointment may be terminated with or without cause or notice at any time at either your option or that of the Research Foundation".
5. Fringe benefits are provided by the Foundation under the rules in effect on the date of appointment and are subject to change as approved by the Board of Directors of the Foundation.

7.3.3. Project Directors/Supervisors

All Project Directors and supervisors at operating locations must be provided with the guidelines for content and offers of employment as outlined above.

7.3.4. Preparation of Written Offers

Any written offer of employment must be prepared on Foundation stationary. In the event that a written offer of employment goes out on other than Foundation stationary, it must first be approved by the Institute Director or their designee and clearly state that the employee is a Foundation appointment and is governed by the rules and policies of the Foundation.

7.3.5. Review of Written Offers

When operating locations use a written letter offering employment it must be approved by the Institute Director or their designee.

If an after-the-fact review indicates that the offer of employment was not consistent with Foundation policy, the conflict must be resolved prior to appointment approval. A Foundation Institute Director or designee must resolve these conflicts to ensure that they are handled by the appropriate level of authority.

7.3.6. Retention of Written Offers

A copy of a letter offering employment must be forwarded to the office that handles personnel matters at the location and retained in the employee's personnel file.

7.4. Employee Conduct and Work Rules

Reasonable rules of conduct are necessary for the orderly, efficient, and safe operation of business. The following list identifies conduct which will result in disciplinary action up to and including termination. The Foundation may impose an unpaid disciplinary suspension of one or more full days for serious misconduct. This practice applies to all employees, whether exempt or non exempt. This list is meant to serve as a guideline and is not intended to be all inclusive. Foundation management reserves the right to modify work rules and regulations or establish such different or additional rules or regulations as it deems appropriate or necessary at any time.

- Repeated absences and/or tardiness.
- Failure to follow work rules or procedures.
- Failure to complete assigned work in a timely manner.
- Wasting time, loafing or loitering.
- Leaving the work area during working hours without permission.
- Negligence or carelessness.
- Unauthorized or improper use of property or machinery to include telephones, computers or use of the Internet.
- Abuse of break or meal periods.
- Unsatisfactory work performance.
- Inappropriate dress.
- Solicitation of fellow employees for any purpose during periods of the workday without prior management approval.

- Distribution of literature in working areas of the building or during periods of the workday when you are engaged in or required to be performing your work assignments.
- Deliberate scientific misconduct, such as plagiarism, fabrication or falsification in the conduct of research or the reporting of research.
- Rude, abusive, or obscene language or conduct on business premises.
- Fighting, disorderly conduct, threatening another person with verbal or physical violence.
- Gambling on Foundation premises.
- Harassing, interfering with or refusing to cooperate with co-workers in the performance of their duties.
- Tampering, altering, or recording time on behalf of another employee.
- Acts of dishonesty or theft, including falsification of employment applications or other personnel records.
- Damage to machinery or equipment, waste of materials, or defacing Foundation property.
- Insubordination or refusal to follow a supervisor's instructions or to perform assigned work.
- Failure to adhere to published Foundation policies.
- Actions which result in complaints from clients, suppliers, or manufacturers affecting the reputation or business of the Foundation.
- Commission of a crime or possession of a weapon on work premises.
- Violation of "co-workers", "patients" or "human subjects" rights on discriminatory grounds in violation of the Foundation's equal opportunity policy.
- Failure to adhere to Foundation, Federal and New York State regulations for the protection of human and animal research subjects.
- Using position for personal benefit.

7.5. Work Schedules

Work schedules are determined by supervisors. All employees are entitled to a thirty (30) minute unpaid meal period after completing six (6) hours of work. In addition, employees are allowed to take one (1) fifteen (15) minute break in the morning and one (1) in the afternoon if the workload in the office permits. Breaks are a privilege, not an entitlement, and can be revoked if work requirements demand or if an employee abuses the privilege. Breaks not taken are forfeited, and failure to take a break cannot be used to lengthen lunch or shorten the work day.

If a non-exempt employee works more than 37.5 hours during the work week which runs from 12:01 a.m. Thursday through 12:00 midnight the following Wednesday, they may be credited with

compensatory time that must be used within the work week in which it was earned. If not used, the hours worked over forty (40) will be paid.

7.6. Attendance and Punctuality

Should an illness or injury prevent someone from coming to work, it is their responsibility to personally notify their immediate supervisor each day within thirty (30) minutes of their scheduled start time informing them of the reason for the lateness and their expected arrival time. Failure to call will result in the absence or tardiness being recorded as an unexcused absence that may result in disciplinary action up to and including termination. In the event of repeated absences, supervisors may require proof confirming the reason given. Failure to produce such proof when requested will result in disciplinary action up to and including termination.

Any absence of three (3) consecutive work days without notifying the Foundation is considered a voluntary resignation.

7.7. Time and Attendance

All working hours and amounts paid, including overtime as well as deductions, must be properly documented in writing. These time and pay records must be kept at least seven years and until all projects affected have been audited and closed. Exempt employees are required to sign in, in a manner designated by the local office. Non-exempt employees are required to sign in and out and to record their time worked each day.

7.8. Pay Periods and Issuance of Pay

The Foundation's workweek is seven (7) consecutive calendar days beginning at 12:01 a.m. Thursday and continuing through 12:00 midnight the following Wednesday.

Paychecks and direct deposit slips are available for pick up every other Wednesday and the payment covers the fourteen (14) day period ending at the close of business on Wednesday. Each location should have a designated area that paychecks are distributed from.

7.9. Direct Deposit

Although all Foundation employees are eligible to participate in direct deposit, each Institute location has the right to limit direct deposit eligibility and requirements.

7.10. Confidentiality

The Foundation is committed to protecting the security and confidentiality of research records, and the privacy of persons who participate as research Subjects. The Foundation will create, maintain and use its records in accordance with all applicable federal, state and local laws and regulations.

7.11. Access to Personnel Files

The Foundation's Personnel/Payroll Offices regard all personnel records as confidential. Employees are permitted reasonable access to their personnel file during regular business hours in the presence of a Personnel/Payroll Department employee.

7.12. Telecommuting and Teleworking

The Foundation neither prohibits nor encourages telecommuting or teleworking by its employees. The decision to allow an employee to telework must be made on a case by case basis. Institute Personnel, Supervisors and Institute Director should be involved in the decision and it is recommended that the decision to allow teleworking be made at first, on a trial basis to ensure it is meeting the expectations of all that are involved.

7.13. Sexual and Other Harassment

The Foundation is committed to maintaining a work environment that is free from discrimination and harassment and will not tolerate either based on an individual's race, creed, sex, age, marital status, disability, religion, national origin, military service, sexual orientation, or arrest/conviction record, consistent with applicable laws. This applies to all employees, officers, and directors of the Foundation, up to and including its President and Board of Directors.

No one may threaten or imply that one's submission to or rejection of sexual advances will in any way influence any decision about employment, advancement, duties, compensation, or any other conditions.

No one may subject anyone to any unwelcome conduct of a sexual nature. This includes both unwelcome physical conduct, such as touching, blocking, staring, making of sexual gestures, and making or displaying sexual drawings or photographs, and unwelcome verbal conduct, such as propositions, slurs, insults, jokes, and other sexual comments.

7.14. Violence in our Workplace

The Foundation will not tolerate acts or threatened acts of violence by any persons, whether they are an employee or non-employee, in our facilities or on our property. Guns or other weapons are not permitted on our property including, but not limited to, weapons in vehicles in the parking lots.

7.15. Smoke Free Workplace

The Foundation is a smoke-free workplace. Those smoking outside of the buildings are required to follow each individual location's posted smoking rules.

7.16. Substance Abuse

The Foundation uses its best efforts to maintain a drug free workplace and does not permit the unlawful use, possession, manufacture, dispensation or distribution of a controlled substance, as defined in Federal statute or regulation (21 USC812 and 21 CFR 1300.11-1300.15) while in the workplace or while performing work related duties at any site outside the workplace. Any of these actions will be subject to criminal, civil and disciplinary actions for any individual contributing efforts to any Foundation project or activity. This policy applies to employees, Principal Investigators, student's or trainees receiving salary from another source, and anyone involved in the Foundation's programs or projects.

7.17. Dress Code

The Foundation is to project a professional image within the corporate environment and to visitors. Individuals are expected to dress in appropriate business attire and have personal grooming and hygiene that contribute to a clean and neat appearance. Supervisors or other management personnel can specify additional or alternative dress and/or grooming requirements for safety reasons or based on the business need of specific departments.

7.18. Workplace Accidents

Every accident or injury occurring on the job, regardless of how minor, must be reported to the Personnel Office or Safety Department as soon as possible, but no later than 24 hours after the incident.

7.19. Nepotism

An officer or employee of the Foundation shall obtain prior approval for any situation in which relatives might be hired, transferred, or promoted to a position where a relative might have influence over employment, performance review, salary administration, promotion, or other employment related decisions. If an approved employment relationship exists where individuals work together in the same department, evaluation and recommendations concerning performance and/or salary will be accomplished at an appropriate level of supervision.

Relationships covered by this policy include: parents, children, siblings, grandparents, in-laws, foster and step children, spouse, spousal equivalent and anyone living in the same household as a family member.

7.20. Inventions and Patents

Employees of the Foundation either at the time of employment or during their employment, individually or in consort with others, may become engaged in research activities involving the use of financial support, facilities, materials or other resources of the Foundation or any of the Offices of the New York State Department of Mental Hygiene. These research activities may be sponsored and funded by government agencies, (federal, state or municipal) by commercial entities, not-for-profit organizations, or gifts from private individuals. As a condition of employment, employees must follow Foundation procedures with regard to discoveries, inventions and improvements to inventions in which they have made an inventive contribution.

7.21. Compensation and Salary Administration

7.21.1. Salary Schedule

Foundation salaries shall be within the most recent salary schedule as approved by the Board of Directors.

7.21.2. Job Descriptions

All Foundation positions shall have written job descriptions which will be used for position evaluation and reclassification. The salary grade for the position shall be commensurate with experience and qualifications.

7.21.3. Salary

The normal hiring rate is at the beginning of the salary grade range for any given position. However, candidates whose qualifications substantially exceed the minimum required for a position may be appointed above the minimum hiring rate, but shall not exceed the maximum rate for the grade. Personnel Office records of an appointment above the hiring rate shall include: A current CV or work history detailing the candidate's training/experience; a statement of the candidate's most recent salary before Foundation appointment; and a summary statement justifying the appointment above the hiring rate which highlights the candidate's exceptional qualifications.

7.21.4. Foundation Employment in Addition to State Service (Extra Service)

The Foundation's contract with New York State (NYS) prohibits the supplementation of the salaries of Department of Mental Hygiene (DMH), except that payment may be made for actual work performed by DMH employees for the Foundation in accordance with the policy of the Foundation and approval of the State Director of Budget (DOB). In order to ensure compliance with this contract provision, the Foundation requires that before a NYS employee is appointed to the Foundation's payroll for extra service (combined NYS/Foundation employment in excess of 100%), a NYS Dual Employment/Extra Service Approval Form must be completed and submitted to the Foundation's Central Office. The Central Office will forward the form to DOB and notify the operating location when approval to hire has been received.

7.22. Benefits

The Foundation provides its employees with a comprehensive benefits package, not only to provide financial security to employees during the time they are employed but also in retirement. Providing such benefits make us attractive to potential employees and proves to be invaluable in retaining our current workforce. Below is a brief description of each benefit offered, who absorbs the cost of providing the benefit, and eligibility requirements. Foundation employee benefits are fully explained in the plan documents adopted by the Board of Directors and are distributed to each employee. The plan documents are the official benefit plan description and prevail. Participation in benefit plans is often contingent on length of Foundation service and percent of full-time employment. Fringe benefits are subject to change at any time by the Board of Directors in accordance with applicable laws.

7.22.1. Health Insurance

With the exception of hourly employees, employees working at least fifty percent (50%) of a full-time work schedule are eligible for health insurance coverage on the first day of the month following their start of employment. If an employee enrolls in the PPO Plan, the Foundation pays ninety percent (90%) of the full share cost for employees electing individual coverage and seventy five (75%) of the difference in cost between individual and family coverage for employees choosing family coverage. An equivalent dollar amount will be paid toward the cost of insuring employees and their dependents under an HMO.

7.22.2. Retiree Health Insurance Coverage –

It is the policy of the Foundation to provide retiree health insurance to employees who have met the following minimum requirements:

1. Enrolled in the health insurance program at the time of retirement.
2. Completed the minimum service requirement based on most recent Foundation appointment date.
 - Prior to January 1, 1986 employee must have had at least five (5) years of Foundation service or at least five (5) years of combined service with the Foundation and/or one or more participating agencies.
 - If the most recent Foundation appointment was on or after January 1, 1986 but before December 31, 1998 the employee must have had at least ten (10) years of Foundation service or at least ten (10) years of combined.
 - If the most recent Foundation appointment was on or after January 1, 1999 the employee must have had at least five (5) years of service with Foundation and at least ten (10) year of combined service with the Foundation and/or one or more participating agencies.
 - Employee must be at least 55 years of age or qualified for the receipt of Social Security Disability payments. Therefore, if an employee retires prior to attaining the age of 55 but has fulfilled the outlined service requirements, they will be considered a vestee and will be responsible for the full share cost of health insurance coverage until attaining the age of 55.
 - If the employee is retired, Civil Service will reimburse the employee quarterly an amount equal to the usual cost of Medicare Part B coverage. If the employee has family coverage, they will also be reimbursed for the cost of Medicare for any covered dependents receiving primary (or first) coverage from Medicare.

7.22.3. Sick Leave Credits

If an employee is eligible to continue coverage into retirement, the dollar value of their unused sick leave is converted into monthly amount by dividing it by their life expectancy in months. The result is a lifetime monthly credit which is applied toward their share of the monthly health insurance premium. If the credit from their unused sick leave does not cover their share of the premium in full, the employee is responsible for the balance. If the total dollar value of a retiree's sick leave amounts to \$100.00 or less, the amount is applied to the payment of the employee's share of the cost each month at a current contribution rate until the amount is exhausted.

7.22.4. Health Buy-Out Program

Employees who have been enrolled for two (2) full consecutive years in a Foundation health plan and choose to opt out of their coverage because of health coverage available to them through another source are eligible. The rate of reimbursement is determined by

the coverage in effect at the time of enrollment and is pro-rated for part-time employees. Payment is made once annually after one (1) year of enrollment in the program.

7.22.5. Dental Insurance

Dental insurance is available to employees (excluding temporary) and their qualified dependents. Insurance becomes effective on the first day of the month after they have completed six (6) months of employment at not less than fifty percent (50%) of a full-time schedule. The Foundation provides the full contribution towards the dental insurance.

7.22.6. COBRA (Consolidated Omnibus Reconciliation Act)

Effective April 1, 1987, if an employee's employment terminates for any reason other than gross misconduct, or if their hours worked are reduced so that their health and/or dental coverage is terminated, the employee and their covered dependents may continue health and dental care coverage under the New York State Health Insurance Plan for up to eighteen (18) months. COBRA cost is equivalent to the full-share cost of the health plan plus a two percent (2%) administrative fee. In addition, if the employee should become divorced or legally separated, or if they should die and their dependents are not eligible for continued coverage as dependent survivors, these covered dependents may continue health and dental care coverage under the Plan for up to three (3) years. Also, covered children may continue health and dental care coverage under the Plan for up to three (3) years after they no longer qualify as covered dependents under the terms of the Plan.

7.22.7. Flexible Spending Programs

Health Flex - All full and part-time regular employees working at least fifty percent (50%) of a full-time work schedule are eligible to set aside pre-tax dollars to pay for any uncovered qualified medical expenses. The Foundation absorbs all associated fees incurred from the third party administrator involved in participation. Specific information is available in the Foundation's Flexible Benefits Plan Summary Plan Description.

Dependent Care Flexible Spending - All full and part-time regular employees working at least fifty percent (50%) of a full-time work schedule are eligible to set aside pre-tax dollars to pay for qualified dependent care expenses. The Foundation absorbs all associated fees incurred from the third party administrator involved in participation. Specific information is available in the Foundation's Flexible Benefits Plan Summary Plan Description.

Tax-Free Transportation and Parking Program - All full and part-time regular employees working at least fifty percent (50%) of a full-time work schedule are eligible to set aside pre-tax dollars to pay for qualified transportation and parking expenses. The Foundation absorbs all associated fees incurred from the third party provider involved in participation. Specific information is available in the Foundation's Flexible Benefits Plan Summary Plan Description.

7.23. Insurance

The Foundation provides fully paid life insurance to all employees who have completed at least twelve (12) months of service at eighty percent (80%) or more of a full-time schedule. The insurance is equivalent to the covered employee's annual salary as of the preceding July 1, rounded up to the next highest thousand to a maximum of \$80,000. Life insurance in excess of \$50,000.00 face value is subject to income taxation at rates established by the Internal Revenue Service.

7.23.1. Short Term Disability Insurance

After an employee completes four (4) weeks of completed service they are eligible for short term disability insurance at no charge. This insurance provides employees with possible partial replacement of lost wages for up to twenty six (26) weeks after they are disabled for more than seven (7) consecutive calendar days due to a non-work related illness or injury. Employees receiving short term disability insurance are responsible for the employee portion of their health insurance premium. Combined disability insurance benefits and Foundation leave pay shall not exceed the employee's regular base pay.

7.23.2. Long Term Disability Insurance

After an employee has exhausted short term disability insurance benefits they are eligible for long term disability benefits at no charge provided they have completed one (1) year of service at not less than eighty (80%) of a full-time work schedule. Payments are equivalent to 60% of the employee's annual salary at the time the disability occurred. Retirement contributions continue to be made on the full-time salary at the percentage rate the employee was entitled to at the time of their disability. Benefits and conditions relating to long term disability insurance are fully described in the booklets provided by the insurance carrier.

7.23.3. Retirement

All regular employees of the Foundation are eligible to participate in the retirement program. Under this program, the Foundation purchases annuities to provide retirement benefits to employees. The Foundation absorbs all costs associated with participation in this program and depending on the employees hire date, contributions are made as a percentage of employees bi-weekly salary. For the purpose of determining participation requirements, the term "year of service" is a twelve month period starting with the eligible employee's date of employment during which the employee completes a minimum of 975/1000 hours of service. Participation in the plan generally occurs when an employee completes one (1) year of qualified service and an employee is vested after five (5) years of qualified service is completed.

7.23.4. Prior Service

Under certain circumstances the Foundation recognizes employment with other organizations in meeting service requirements for participation and vesting in our retirement plan. We recognize service from the following types of organizations as long as the service was immediately prior to their Foundation employment and within one year of their Foundation appointment.

1. New York State Department of Mental Hygiene
2. An accredited college or university in the United States
3. A private nonprofit research institution organized as a 501(c)(3) Corporation in the United States

7.23.5. Supplemental Retirement Annuity (SRA)

Participation in the SRA plan is voluntary and all Foundation employees are eligible to participate. The amount contributed is made on a pre-tax basis by the employee with no matching contribution provided by the Foundation. The amounts of contribution allowed are established by the Internal Revenue Service.

7.23.6. Unemployment Insurance

All Foundation employees are covered under the provisions of the New York State Labor Department's Unemployment Insurance Law.

7.24. Educational Assistance

The Foundation's Educational Assistance Program provides partial reimbursement for courses, books and non-penalty fees taken on a part-time basis at an accredited institution. The courses must be relevant to the employee's current position or to a career field existing within the Foundation in which the employee may be reasonably expected to work. Employees are eligible after completing one (1) year of service at not less than fifty percent (50%) of a full-time work schedule. Educational leave may be available when a course is not given at any other time other than during the employee's scheduled work hours. The amount of funds available for this program is based on the fiscal/grant volume of the RFMH Division at which the employee works. Accordingly, it is unlikely that all applicants will be approved.

Each Institute and the All Other Divisions will establish an Educational Assistance Selection Committee. The committee will be constituted as follows:

Institutes and/ or the Central Office for All Other Divisions

- Deputy Director for Administration, Managing Director or a designee (Chairperson)
- One professional State or Foundation full-time employee appointed by the Director or Managing Director
- One non-professional State or Foundation employee appointed by the Director or Managing Director

Additional information is available in the Foundation's Educational Assistance Packet.

7.25. Leaves

The Foundation's Personnel/Payroll Office at each location is responsible for maintaining leave accrual records at each site. Additionally, the Foundation prohibits employees to take any of the

following leave accruals before they are earned. Hourly employees and part-time salaried employees working less than fifty percent (50%) of a full time work schedule are not eligible to earn leave accruals.

7.25.1. Vacation

Full-time regular employees earn vacation credits after completion of thirteen (13) full bi-weekly payroll periods. Eligible part-time employees earn pro-rated accruals after completing nineteen (19) full payroll periods. Vacation leave is requested in advance and approved by the employee's supervisor. Should an employee terminate prior to completing this eligibility period, they do not receive any such leave. Full-time employees earn either 7.5 or 8 hours of vacation leave at the completion of each timesheet provided they have worked weekly pay-periods included on their timesheet after the eligibility period is completed. Employees may only accumulate up to forty (40) days of unused vacation as of the first of each calendar year. At the time of termination, payment will be made for up to a maximum of thirty (30) days.

Employees with extended service are credited with a longevity bonus on their anniversary date of employment based on the following schedule.

| | |
|------------------------|--------|
| 20-24 years of service | 1 day |
| 25-29 years of service | 2 days |
| 30-34 years of service | 4 days |
| 35 or more years | 5 days |

Employees that are re-hired within one (1) year do not have to satisfy the waiting periods to begin using their vacation accruals.

7.25.2. Holidays

The following paid holidays are granted to all full and part-time regular employees.

| | |
|-----------------------|----------------------------|
| New Year's Day | Martin Luther King Jr. Day |
| Washington's Birthday | Lincoln's Birthday |
| Memorial Day | Independence Day |
| Labor Day | Columbus Day |
| Election Day | Veteran's Day |
| Thanksgiving Day | Christmas Day |

Part-time employees are eligible for holiday pay if the day the holiday is observed on is on their scheduled work day. If a holiday falls on a Sunday it is observed as a paid holiday the following Monday. Holidays which fall on a Saturday will be carried as a floating holiday providing Friday is a regular scheduled work day for the employee. Employees may not be appointed on a holiday therefore, must be on the payroll for at least one day before being eligible for paid holidays. If eligible, holiday hours are granted equivalent to

the amount of time the employee normally would have worked on that day up to a maximum of 7.5 or 8 hours. The use of holiday accruals is to be requested in advance and approved by the employee's supervisor. Holidays are to be used within one year of the date in which they were earned. At the time of separation of employment, no payment is made for unused holiday accruals.

7.25.3. Personal Leave

Personal leave is paid leave for personal business, including but not limited to, religious observance, transportation problems, bereavement, and the care of dependents. All full and part-time regular employees are eligible for five (5) days of leave (pro-rated for part-time employees) each year on their employment anniversary. Personal leave should be scheduled in advance and at no time can an employee carry more than five (5) days of Personal leave on their timesheet. At the time of separation from employment no payment will be made for any unused personal leave. However, an employee who terminates and is rehired within one (1) year, will have their personal leave accruals reinstated. Their anniversary date does not change and they are awarded their five (5) days on their anniversary date.

7.25.4. Sick Leave

Sick leave is used for personal illness, doctor's appointments, as well as funeral attendance for a member of the employee's immediate family. Immediate family is defined as spouse, domestic partner, mother, father, siblings, children, grandparents, and grandchildren. Employees' may use up to fifteen (15) days per year for the illness of immediate family members, provided they have accrued that amount of sick leave. Sick leave is accrued at the rate of thirteen (13) days per year and may be accumulated up to a maximum of two hundred (200) work days for full-time employees (pro-rated for part-time employees). Foundation employees may be required to provide a doctor's note after the third consecutive day of charging sick time. At the time of separation from employment, no payment is made for unused sick time. However, an employee who terminates and is rehired within one (1) year will have their sick leave accruals reinstated.

7.25.5. Leave Donation Program

This program allows employees to donate vacation accruals in order to provide Foundation employees who have exhausted all leave accruals with continued income and benefits while absent from work due to a serious medical condition.

Recipient Eligibility

1. Employed in a full-time or part-time salaried position for a period of 1 continuous year and be eligible to earn leave accruals
2. Exhausted all leave accruals
3. Experiencing a serious medical condition certified by a physician.

Donor Eligibility

1. Employed in a full-time or part-time salaried position for a period of 1 continuous year and be eligible to earn leave accruals,
2. Must have at least 10 vacation days remaining after donation,

All donation and receipt of leave must comply with these procedures.

7.25.6. Jury Duty

Absences caused by serving on a jury will be excused and the Foundation will continue to pay the employee their regular wages for up to a maximum of four (4) weeks. Payment is made only when the official notification of jury duty is submitted.

7.25.7. Family Medical Leave (FMLA)

As required by the “Family and Medical Leave Act of 1993”, the Research Foundation will grant twelve (12) weeks of paid or unpaid leave per twelve (12) month period to those employees who have completed one year of service and have worked at least 1,250 hours during the last twelve (12) months. This leave may be for the birth or adoption of a child, foster care, to care for a spouse, child or parent with a serious health condition or for a serious health condition that makes the employee unable to perform their job. The Foundation will roll forward for twelve (12) months from the date a leave commences as the FMLA year.

7.25.8. Workers’ Compensation Leave

All Foundation employees are covered by Workers’ Compensation insurance due to a work related illness or injury. While on leave employees are responsible for paying the employee share of health insurance and the Foundation will continue to pay the employer share for a period of time not to exceed twenty six (26) weeks. If Workers’ Compensation leave exceeds the period of time which is allowed under FMLA, there is no guarantee of employment. Workers’ Compensation benefits plus Foundation sick pay may not exceed the employees’ regular base pay.

7.25.9. Military Leave

The Foundation grants military leave in accordance with Federal and State laws in effect at the time of deployment. Requests for such leave must be requested in writing and accompanied by a copy of the employees’ military orders.

7.25.10. Leave Without Pay

Leave without pay is granted in exceptional cases for personal, non-FMLA reasons. This leave must be requested in writing and may not exceed the maximum time of one year. Leave without pay cannot be used to accept temporary employment and is granted at the discretion of the project director and Foundation administration. Health and dental insurance can be continued by the employee by paying both the employee and employer costs during the absence. An employee on Leave without pay has no guarantee of re-employment.

7.25.11. Professional Meetings and Conventions

Foundation employees may, with approval, attend professional meetings and conventions that directly relate to their work assignment. The Foundation will pay the employees regular rate of pay and will reimburse for travel expenses in accordance with the Foundation's travel policies.

7.26. Terminations

The Research Foundation adheres to the employment "at will" doctrine. All Foundation employment is on an "at will" basis, which means it can be terminated at the company's or employee's option, with or without cause and without notice at any time.

7.26.1. Voluntary

Foundation employees may terminate their employment relationship with the company through retirement, resignation, job abandonment, or failure to return to work upon completion of a scheduled leave.

1. Retirement - Retirement is the relinquishment of a job by an employee after reaching a specific age and attaining the service requirements necessary to collect retirement benefits.
2. Resignation - Resignation is the voluntary decision by an employee to terminate employment.
3. Job Abandonment - Job abandonment occurs when an employee is absent from work for three (3) or more consecutive work days without calling his/her supervisor with the reason for the absence. When this situation occurs, it is treated as a voluntary resignation which is effective the last day the employee actually worked.
4. Failure to Return to Work Upon Leave Expiration - If an employee is not being paid while on an approved leave of absence, it is considered a leave without pay. Leave without pay is granted in advance of the leave and for a specified period of time. Failure to return to work on the agreed upon date the leave was to end is considered a voluntary resignation.

7.26.2. Involuntary

Continued employment with the Research Foundation is dependent on a number of factors, including but not limited to, the needs of the Foundation, satisfactory job performance and the wishes of the employee, if applicable.

When Research Foundation employment is involuntarily terminated, the termination is for one of the following reasons: death, end of a temporary assignment, termination for cause, or termination due to employment at will. The following describes these types of involuntary terminations.

1. Death - If an employee of the Research Foundation dies. In this situation, The Research Foundation operations manager in conjunction with a Personnel Officer must ensure that the Central Office Personnel is notified so that death and survivor benefits can be processed.
2. End of Temporary Assignment - Many Research Foundation jobs are terminated because of insufficient grant funding or reduction in work force.
3. Termination of Employment for Cause - Research Foundation employment can be terminated for failure to meet satisfactory job performance standards or for a variety of other reasons including but not limited to: Insubordination, undue or chronic absenteeism or tardiness, and theft of property or any other illegal act. Whether cause exists is within the discretion of the Research Foundation. The Research Foundation's operations manager in conjunction with a Personnel Officer must coordinate with other location officials, as necessary, the review of all circumstances before an employee is terminated from employment for cause. This review is to ensure that the termination does not violate any federal or state laws and Research Foundation policies.
4. Termination Due to Employment "At Will" - In an employment "at will" relationship, the employment relationship can, in general, be terminated at any time by either party.

7.26.3. Separation from Employment and Final Pay

Employees who resign or are discharged will receive their final paycheck on the next scheduled payday. Any payment due to the employee will be paid as soon as administratively possible after all equipment, building and/or security passes and final timesheets are submitted. The Research Foundation requires that all employees be present on their last day of employment.

7.27. Employee Evaluation and Counseling

7.27.1. Evaluations

All Foundation employees should receive a written evaluation providing feedback on their performance at least once a year. This evaluation can be placed in their Personnel file.

7.27.2. Counseling

Adequate documentation regarding unsatisfactory work performance shall be maintained as part of an employee's permanent file. The employee and the immediate supervisor shall discuss the problems, and the areas of conflict shall be recorded on the counseling record.

Any action taken, as well as dates for review of the employee's performance shall be noted on the forms which are signed by both the employee and the supervisor. The employee may take written exception to charges outlined and/or decisions reached. A copy of the documentation shall be given to the employee, one retained by the supervisor, and one to the Administrative office to be filed with the individual's permanent employment record.

7.28. Disciplinary Action

Disciplinary action will be taken when Foundation policies, procedures or work rules are violated. Such actions may include, but are not limited to, verbal warning, written warning, suspension or immediate discharge. The action to be taken will depend, in part, on the nature of the violation and the work history of the individual(s) involved and should be documented and placed in the employee's personnel file.

7.29. Grievance

This grievance policy applies to all Foundation employees employed at Research Institutes, the Central Office, or other locations where Foundation activities are conducted.

7.29.1. Statement of Policy

The Board of Directors of RFMH recognizes that in any work situation there may be occasions where an employee believes himself/herself aggravated. Often, these situations arise out of misunderstanding or misinterpretation of policies. Therefore, it is important that prompt attention be given to such situations and that employees are assured of the availability of a formal procedure for the consideration of orderly disposition of grievances.

1. The Foundation encourages informal discussions between employees and their supervisors to resolve grievances.
2. The grievance policy and decisions made under it shall not add to, subtract from, modify or otherwise alter any other Foundation policies or practices unless expressly so stated herein.
3. All grievances filed under the grievance policy shall be made by and in the name of an individual employee. Class action grievances are not permitted.
4. No employee shall be discriminated against or treated adversely in any way by reason of his or her instituting or participating in a grievance proceeding.

Section 8

Institutional Conflict of Interest

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8. INSTITUTIONAL CONFLICT OF INTEREST

8.1. Scope of the Policy

Situations where the Research Foundation for Mental Hygiene, Inc. [RFMH] may have or be perceived to have a conflict of interest relating to research or other corporate programs conducted by RFMH.

Definition: RFMH may have a conflict of interest whenever the financial or business interests of RFMH might affect or reasonably appear to affect, institutional processes for the conduct, direction, review or oversight of research or other corporate programs.

This policy does not cover actual or perceived conflicts of interest of individuals affiliated with RFMH. Conflicts of Interest of individuals are covered by policies including the following:

- Conflict of Interest Policy
- Outside Activity Policy
- Article VI of the By-Laws: Duties of Directors and Officers, and Conflicts of Interest
- Policy on Disclosure of Financial Interest

8.2. Policy

RFMH acts through the actions of people with administrative authority and responsibility. If an individual has significant administrative authority and responsibility over issues involving research or other corporate activities, including decisions with respect to research contracting, allocation of resources, acceptance or monitoring of risk derived from research, an institutional conflict of interest will be deemed to exist if that individual has a personal financial conflict of interest, real or apparent, in a particular research project. Significant administrative authority and responsibility means the type of authority normally exercised by an Officer, Director, Board Committee Member, or other senior officials.

RFMH will seek to eliminate or manage any institutional conflicts of interest. RFMH will disclose in an appropriate manner and form to the relevant concerned individuals or organizations all institutional conflicts of interest related to research or other corporate activities.

If human subject research is involved RFMH will take particular care with respect to management of any potential institutional conflict of interest to assure that the welfare of human subjects and the integrity of the research are not compromised.

RFMH will separate the functions and administrative responsibilities related to research from those related to investment of RFMH funds and to institutional purchasing.

If any person believes that RFMH as an institution may have a conflict of interest which is not being appropriately addressed with respect to the conduct, direction, review or oversight of research or other

corporate activities he or she should inform the chairperson of the Governance Committee or the President.

8.3. Process

If the Chairperson of the Governance Committee determines that a significant possibility exists that there is an institutional conflict with respect to research or other corporate activities, the Chairperson will notify the people involved to refrain from making a decision or taking any action until the situation can be investigated and a decision made as to whether a conflict of interest exists and, if it does, the plan for managing the conflict put in place.

The Chairperson will ensure that the matter is appropriately reviewed either by the Governance Committee or by a Committee appointed by the Governance Committee for the purpose of reviewing the conflict. The Committee shall include at least three members, and may include people not affiliated with RFMH, to ensure appropriate expertise and consideration of the conflict.

The Committee shall report its findings to the Chairperson of the RFMH Governance Committee and/or the President as appropriate.

If the potential conflict involves the Chairperson of the Governance Committee, the President or a person specifically designated by the President will assume the role and functions designated for the Chairperson under this policy.

8.4. Special Consideration for Clinical Trials

If human subject research is involved, RFMH will take particular care with respect to management of any potential institutional conflict of interest to assure that the welfare of human subjects and the integrity of the research is not compromised.

If an institutional conflict of interest exists regarding any clinical trial, RFMH will only lead, direct or control a Phase I or Phase II study if compelling scientific reasons exist and an institutional conflict of interest plan is in place. If an institutional conflict of interest exists regarding any clinical trial, RFMH generally will not lead, direct or control a Phase III or IV clinical trial (e.g. be the lead site or serve on the Executive Committee of the study) except in extraordinary circumstance where not to do so would seriously jeopardize the science and the potential public benefit and then only if an institutional conflict of interest management plan is in place. If an institutional conflict of interest exists regarding any clinical trial, RFMH may participate in any phase of a clinical trial solely as a study site if another institution(s) leads, directs and controls the study and an institutional management plan is in place.

Factors to be considered in determining whether compelling reasons exist for continued RFMH involvement include, but are not limited to:

- Whether the trial is at multiple sites and, if so, whether RFMH's role is relatively passive or is the site gathering and/or monitoring the data from all other sites.

- Whether RFMH's resources are fundamentally important to the progress of the science or the RFMH investigator is uniquely qualified or necessary to administer the trial.
- Whether the interests of the human subjects will be adversely affected by use or non-use of RFMH as a site.

The proportion of the total subjects in the study that are under the supervision of RFMH.

If the decision is made for RFMH to conduct the study when an institutional conflict of interest exists, the Chairperson of the Governance Committee shall appoint a monitoring committee to formulate, adopt and oversee compliance with an institutional conflict of interest management plan to protect human subjects and the integrity of the research from any influence from the Institutional conflict. The institutional conflict of interest management plan must be shared with the RFMH Institutional Review Board(s) that is responsible for review and oversight of the study and must include a requirement of full disclosure of RFMH's interest to research subjects and, if appropriate, to others. Monitoring of institutional conflict of interest shall be coordinated with monitoring of any related individual investigator or key personnel conflict management plans. The monitoring committee must be chaired by a respected scientist from outside RFMH who has no real or apparent conflict of interest in the study.

8.5. Potential Sources of Institutional Conflict of Interest

A RFMH financial interest in a commercial entity, in and of itself, does not automatically present a conflict of interest. Potential sources of institutional conflict of interest include, but are not limited to:

- RFMH ownership of equity interests, other corporate securities or entitlements in entities that sponsor RFMH research that are obtained through technology transfer or transactions with such entities other than through decisions made by disinterested outside investment advisors who have been instructed not to take RFMH research activities into consideration in their decision making.
- RFMH receipt of royalties (or potential royalties) that depend on future sale of products or technology related to RFMH ongoing research or other consideration from sale of products or technology related to RFMH ongoing research.
- RFMH receipt of substantial or recurring gifts, equipment donations or promises thereof (direct or implied) that are not a part of a disclosed sponsorship or sponsored program from commercial sponsors of research if there is an actual or implied quid pro quo owed to the donor that relates to or could give rise to the appearance of relating to the research.
- RFMH investment, or ownership in lieu of taking royalties, in a start-up company related to RFMH research.
- Investment of RFMH funds in entities which sponsor research conducted by RFMH or with which RFMH has other business relationships.

- Purchasing goods or services from a company that sponsors research or a company that licenses RFMH technology.

8.6. Examples

The following are examples of institutional financial interests that may affect, or reasonably appear to affect, institutional processes for the conduct, direction, review, or oversight of research or other corporate activities and, therefore, constitute potential conflicts of interest:

- A company proposes to provide research funding to RFMH for further development of a technology previously licensed by RFMH to the company and from which company RFMH derives a financial interest, e.g. a royalty stream.
- A company in which RFMH has a significant equity interest (not acquired, held and controlled by an outside investment manager precluded from considering information related to RFMH's research activities) proposes to provide funding for research of any kind, whether or not the proposed research or clinical trial is related to the technology that was previously licensed to the company and from which the equity is derived.
- A company proposes to provide funding for a clinical trial of a product or device that was developed by the company with the use of RFMH technology previously licensed to the company and from which RFMH financial interest is derived.
- Material purchase of goods or services from a company which is also providing funding for a research project or clinical trial.