

**SEATTLE CHILDREN'S RESEARCH INSTITUTE
OPERATING POLICIES / PROCEDURES**

DEPARTMENT:	Research Institute Administration
POLICY NUMBER:	RIA-903
REPLACES:	New Policy
EFFECTIVE DATE:	July 1, 2009
REVISION DATE:	NA
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TITLE: Core Operations

SUMMARY:

This policy outlines the rules regarding day-to-day operation of Cores, breaking down the necessary steps and the individuals and offices responsible for managing those steps. Key responsibilities include:

- Recordkeeping regarding resource usage within the Core;
- Scheduling access to the Core in those cases where access is not unlimited;
- Tracking utilization of Core services for the purposes of billing;
- Invoicing and billing internal and external Core customers, and recording payments;
- Management of fiscal activities and Lawson activity numbers involved in the administration of the Core (e.g., operations budgets, equipment reserve budgets, etc.);
- Production of fiscal reports regarding operation of the Core; and
- Conducting annual reviews of Core operations for the purposes of setting new rates.

BACKGROUND:

The administration of research Cores at Seattle Children's Research Institute is expected to be consistent with Children's commitment to the compliant conduct of research. Though much of the risk associated with a Core can be mitigated through correct cost analysis and setting of rates (see RIA-902), day-to-day Core operations are not without their risk elements as well.

This Core Operations defines the requirements for compliant operation of a Core. Please note that this policy is augmented by two additional policies regarding Cores:

RIA-901: Core Creation and RIA-902: Core Rate Setting. These additional policies should be reviewed prior to the development of a business plan for a proposed Core.

POLICY/PROCEDURE:

- 903-1 The administration of research Cores at Seattle Children's Research Institute is expected to be consistent with Children's commitment to the compliant conduct of research.
- 903-2 Cores are required to be "closed, self-adjusting systems." Accordingly, all Cores must be operated out of a dedicated Lawson activity number (the "Operational Account") that will comprise all costs incurred, and revenues received, in the operation of the Core. The Office of Research Finance has established a dedicated Accounting Unit (AU) for the management of Cores, and each Core will be given a new activity number under this AU.
- 903-3 A Core is expected to operate, in effect, on a zero sum basis. This is to say, the cost of providing the Core's services should more or less equal the revenue received from customers for those services creating a zero balance in the Core's Operational Account. However, because both expenditures and revenues are likely to fluctuate, the Operational Account may show at any given time either a deficit or surplus.
- 903-3.1 Operational Account surpluses – i.e., "Working Fund Reserve" – should not exceed approximately sixty (60) days worth of operating costs. (See also 903-9.)
- 903-4 In the event an Operational Budget has not yet accumulated a Working Fund Reserve, or operations are such that a deficit is accruing which is not expected to be recovered through continued Core operations, funds may be transferred into the Core Operational Budget from Center Discretionary Accounts or other non-federal, discretionary accounts. Working Fund Reserves should not be acquired by increasing the rates charged by a Core. Core rates may only be changed in accordance with a formal rate review and analysis (see RIA-902).
- 903-5 In addition to the Operational Account, a Core may also elect to establish an Equipment Reserve Account. Because the Core Operational Account is an operations activity, depreciable equipment cannot be charged to that account. Establishing an Equipment Reserve Account gives the Core an activity that can be used to purchase new or replacement equipment needed by the Core, and absorb the corresponding depreciation. When a Core's rates include equipment depreciation and/or surcharges included in the rates charged to external users, those rate components (and only those components) may be transferred to the Equipment Reserve Account where they will accumulate until needed by the Core for the purchase of equipment.

- 903-6 Once the necessary Lawson activities have been created, the Core is set to run. It is the responsibility of the Center, or Core administrator if such an individual has been designated, to manage day-to-day operations of the Core which includes the following responsibilities:
- 903-6.1 Ensuring all costs involved in the operation of the Core are charged to the Core Operational Account;
 - 903-6.2 Scheduling access to the Core (if applicable);
 - 903-6.3 Recording usage of the Core by both internal and external customers, whether paid or unpaid.
 - 903-6.3.1 For internal customers, records should include, at minimum, a) Core usage, b) user name, and c) Lawson activity where usage should be charged.
 - 903-6.3.2 For external customers, records should include, at minimum, a) Core usage, b) user name, and c) address for submitting invoices.
 - 903-6.3 In the case of unpagged usage, recording and managing the corresponding subsidies.
 - 903-6.4 Notifying ORF on a regularly scheduled basis of Core usage for the purpose of effecting cost transfers and invoicing (see 903-7)
- 903-7 No more frequently than monthly and no less frequently than quarterly, the Core will submit usage reports to the Office of Research Finance. Based on these usage reports, ORF will begin the process to secure the corresponding revenue.
- 903-7.1 For internal customers, this will be effected through an upload to Lawson which, for each use of the Core, will transfer the associated fees from the designated Lawson activity of the user to the Core's Operational Account.
 - 903-7.2 For external customers, ORF will issue invoices for the Core usage.
- 903-8 Once invoices are issued, payment will be tracked through the usual Accounts Receivable processes.
- 903-9 A Core's accumulated deficit or surplus in a given year may not exceed 10% of the Core's annual operating budget. Surpluses/deficits are managed as follows:
- 903-9.1 Midway through the Core's fiscal year, the Core administrator, in cooperation with the Chief of Research Operations and/or Director of Research Finance, should review its operations to confirm that the Core will not end the year with a surplus or deficit in excess of 10% of the Core's annual operating budget. If a surplus/deficit greater than 10% is expected, the Rate Schedule should be revised for the remainder of the year to bring the surplus/deficit below 10%.

903-9.2 At year end, the Core administrator will identify any surplus or deficit in the Core Operational Account. If that that surplus/deficit is less than 10% of operational costs, such surplus/deficit will be rolled in to the next year's Rate Schedule and no further management will be required.

903-9.3 If, at year end, the surplus/deficit identified by the Core administrator exceeds 10% of operational costs, the amount of the surplus/deficit equal to 10% of operational costs will be rolled in to the next year's Rate Schedule. The remaining portion of the deficit/surplus will be accounted for as follows:

903-9.3.1 Proportion of Deficit above 10% -- Any remaining deficit in excess of 10% of operating budget will need to be covered from Center Discretionary Funds or other appropriate, non-Federal source. Funds will need to be transferred into the Center Operating Account in order to zero out the deficit.

903-9.3.2 Proportion of Surplus above 10% -- Any remaining surplus in excess of 10% of operating budget will need to be returned to all prior year users through retroactive adjustment to the rates.

903-10 In accordance with the requirements of RIA-902, on at least an annual basis the Core will conduct a formal analysis of its financial operations for the purposes of generating an updated Rate Schedule. Additionally, the Core should provide a summary report of its financial operations for the previous year. This report is to be provided to the Director of the Office of Research Finance and Chief of Research Operations for review. The Director of ORF and/or CRO, in turn, will present the report to CDAC as part of an annual report of Core operations at the Research Institute. Included in this report will be staff recommendation regarding ongoing maintenance of the Cores. For those Cores unable to maintain a positive balance in their Operational Accounts and/or find yearly utilization to be at or below 50% of capacity, CDAC will be required to determine whether or not those Cores should continue to be supported by the Research Institute or be abandoned as non-viable.

Submitting Office: Research Institute Administration

Approved by:

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