

## **LGH Internal Process:**

**Date: 03/20/19**

### **Overview:**

Lancaster General Hospital (LGH) was acquired by the University of Pennsylvania Health System (UPHS). The purpose of this document to record our understanding of Lancaster General Hospital's (LGH) participation in sponsored research now that LGH is part of UPHS and document the processes.

The main objective is to document our understanding of LGH's activity as it relates to engaging in services performed by LGH on sponsored research awards to Penn including:

- 1) Administering/entering into agreements for sponsored research activity
- 2) Facilities and Indirect Cost Rate and recovery process
- 3) PO Creation, Invoicing and payments
- 4) Financial Statement adjustments at year end
- 5) Tracking of direct and indirect costs recorded for LGH

### **Statement of Work/Arrangements**

Arrangements for funding from University of Pennsylvania (Upenn) prime awards will be communicated to Lancaster General Hospital (LGH) by the Office of Research Services (ORS) a unilateral Funding Letter. The department will create a request in the Research Inventory System (RIS) for a non-monetary agreement, type Other. The RIS request will prompt ORS to generate and sign the letter, which includes a statement of work, requirements for invoicing and payments.

LGH is under the Penn/UPHS organization however not it is not included in our Department of Health and Human Services (DHHS) negotiated Facilities and Administrative Rate Agreement (F&A). Penn Medicine's understanding is that LGH's activities will be considered off-campus and the applicable off campus rate in effect at the time of negotiation for research or clinical trials will be used to reimburse indirect cost incurred on federal awards.

The Office of Research Services will create two new object codes to facilitate charging of direct and indirect cost for this activity. The object codes will be excluded from F&A recovery when the expenses are recorded. This will facilitate payment of both direct and indirect costs to LGH and ensure that indirect cost is charged at the applicable rate to the project one time. This process will also enable the cost studies group to monitor and report direct and indirect activity separately.

### **Internal Process for administering LGH sponsored research activity at Upenn:**

- 1) LGH/Upenn Department initiates Agreement
- 2) ORS/Penn Department executes Agreement
- 3) LGH prepares and sends invoice Penn Departmental Business Administrator
- 4) Penn Departmental Business Administrator process a journal entry to record the expense in the GL including the designated Lawson account #. The Direct and Indirect cost expense to the 5-fund (posted to the two new direct and indirect cost expense object codes)

- 5) The expense is imported into the BEN Billings and Receivable System (BBR)
  - a. Revenue is generated on the expense activity
  - b. The object codes are excluded from the indirect cost recovery process
  - c. The revenue and unbilled receivable activity is fed from BBR to the GL and allocated to the 5-FUND
- 6) Depending on the terms/requirements/ frequency an invoice is generated in BBR to record the receivable
  - a. The invoice activity is feed from BBR to the GL. (Reduces the Unbilled receivables and increases the Billed receivable)
  - b. Invoice is submitted to the sponsoring organization for the 5-fund
- 7) When payment is received from the sponsor the receipt will be processed in BBR, applied to the invoices generated in Step 8.
  - a. The receipt activity is feed from BBR to the GL reducing the billed receivable down by the dollar amount of the cash received.
- 8) Report will be generated by the Comptroller's office to identify the expense activity posted to the new object codes. This activity will be excluded from Financial reporting completed by the Comptroller's Office to avoid counting the activity twice on the Upenn Financial Statements (From the Upenn and LGH financial systems)

**Object Code Descriptions:**

Direct costs: 5337 (LGH Direct Costs)

Indirect Costs: 5338 (LGH Indirect Costs)

Lawson Account: 901630-14116 for any intracompany transactions between the University and LGH.

**Journal Entry Example:**

1. Each month, as LGH performs the work, LGH sends an invoice to the School department who processes the following journal:
  - a. DR: CNAC-org-4-5xxxxx-5337-prog-cref for direct charges;
  - b. DR: CNAC-org-4-5xxxxx-5338-prog-cref for indirect charges;CR: 210-2100-1-000000-1520-0000-0000 (Lawson account 901630-14116) to "pay" LGH

Document of Understanding:

June 21, 2017

Douglas W. Rinehart  
Vice President, Controller  
Lancaster General Hospital  
555 North Duke Street  
Lancaster PA 17602

Dear Doug,

This letter is to confirm our understanding of instances when Lancaster General Hospital (LGH) personnel may be participating in externally funded Sponsored programs activities where the Prime award has been made to The Trustees of the University of Pennsylvania (Penn).

Because LGH is now part of the University of Pennsylvania Health System, we are no longer able to issue standard sub-award agreements from Penn to LGH as has been done in the past. Instead, Penn's Office of Research Services will issue a statement of work outlining the agreed to major requirements for the LGH participation on the specific University sponsored project. The statement of work and corresponding budget will become the basis for the Penn department to establish a purchase order (PO) with LGH to authorize reimbursement payments for each University sponsored project with LGH participation

While LGH may be part of the University of Pennsylvania Health System, LGH is not included in our DHHS federal rate agreement for facilities and administration. For this reason, LGH activities must be considered "off-campus" activities, thus charging any federal sponsors no more than the 26% off-campus indirect rate for the LGH direct costs.

To ensure consistency across the Penn Medicine system, if LGH enters into agreements with non-Penn entities they should align their indirect rates with Penn's rates either at 26% off-campus, or 35% for clinical trials.

I understand that prior to the integration with Penn, LGH did have its own federal indirect rate but that rate has since expired. If LGH wishes to independently pursue federal research funding in the future, LGH would need to file the appropriate forms for its own rate outside of Penn's negotiated rate. If you desire to pursue that path, please let Elizabeth Peloso and Susie Won know in Penn's Office of Research Services, so we can properly coordinate.

If you are in agreement, please sign this letter and return to me. If anything I have stated is not a correct representation of your understanding, please get in touch with me so we can rectify.

Sincerely,



Christopher D. Masotti  
Vice Dean of Finance and Operations

Cc: Keith Kasper  
Marianne Achenbach  
Elizabeth Peloso  
Susie Won