

# Yale SCHOOL OF MEDICINE

**To:** Yale University School of Medicine (“YSM”) Files

**From:** YSM Controller’s Office (“YSMCO”)

**Date:** June 13, 2023

**Re:** Yale New Haven Health System (“YNHHS”) Special Funds Process – Frequently Asked Questions (“FAQs”)

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- I. Purpose:** The purpose of this memorandum is to document FAQs surrounding the recently modified YNHHS special funds process.
- II. Current background:** As noted below, in Appendix A, a process update was communicated to YSM Lead Administrators and Finance & Administration (“F&A”) Managers in December 2022 regarding changes to the assessment associated with income from YNHHS’s special funds pool. Since the time of the communication from the YSMCO and the date of this memorandum, certain department business offices (“DBO”) have made inquiries to the YSMCO regarding items such as potential assessment waivers and requests to pass the assessment onto YNHHS through grossed-up billings.
- III. FAQs for specifically identified DBO issues:**

DBO Issue: Travel is required by a YSM faculty member on behalf of YNHHS; therefore, as the YSM faculty is attending *on behalf* of YNHHS, and YNHHS has agreed to cover the cost; therefore, the department should not absorb the assessment.

YSMCO Recommendation: If YNHHS is paying for something very specific, such as in the aforementioned scenario, that is **not** gift-like, the YSMCO recommends that the DBO complete a [\*\*\*YSM Non-Sponsored Assessment Reduction or Waiver Request\*\*\*](#) form for review and approval by the Deputy Dean, YSM Finance & Administration.

DBO Issue: The DBO makes annual requests from a significant special fund gift at YNHHS. There is a documented agreement and budget, where the Yale assessment of 12% is included. Are there any other items that the DBO should consider?

YSMCO Recommendation: As the existing agreement includes the 12% assessment in the agreement, when the agreement/budget is renewed each year, the department should confirm with YNHHS that it will continue to cover the assessment, as the decision is at the discretion of YNHHS.

*DBO Issue:* YNHHS places the burden of processing certain expenditures on the university. The department should not be assessed for a payment from YNHHS when it covers a “reimbursement” for an expense it refuses to pay out of its primary (i.e., non-special funds) cost center.

For example, YNHHS would not allow a direct purchase of equipment from a special funds account. The faculty member purchased the equipment with his personal credit card. The expense report was processed. The DBO allocated the cost to the faculty member’s discretionary account and then requested reimbursement from YNHHS. The reimbursement was approved and received; however, there was an assessment charge ultimately reducing the faculty member’s discretionary account.

The DBO was able to purchase supplies from Yale’s stockroom, on behalf of YNHHS, that were unavailable through vendors. When reimbursed, the department was charged an assessment fee.

The DBO processes expense reports for faculty members for their costs related to YNHHS. These costs are then reimbursed to the department with an assessment fee. To provide a service to YSM’s faculty, the DBO is being charged an assessment and not receiving a full cost recovery.

*YSMCO Recommendation:* If special funds income is received to fund a specific item, such as equipment, or are for reimbursements that could have been paid by YNHHS, the YSMCO recommends that the DBO complete a [\*YSM Non-Sponsored Assessment Reduction or Waiver Request\*](#) form for review and approval by the Deputy Dean, YSM Finance & Administration.

*DBO Issue:* A program at YNHHS is interested in supporting the department through donations to certain programs. The funds are not direct YNHHS funds but are raised through fund raising activities throughout the year, including an annual gala.

*YSMCO Recommendation:* As the funds appeared to be passed through YNHHS, acting as an agent, the YSMCO recommends that the DBO complete a [\*YSM Non-Sponsored Assessment Reduction or Waiver Request\*](#) form for review and approval by the Deputy Dean, YSM Finance & Administration.

*DBO Issue:* The department utilizes the YNHHS gift funds for various expenses, and YNHHS has agreed to fund the operational deficits of the department. Historically, when the request for the amount needed is made, a gross-up is included within the billing. Should this continue?

*YSMCO Recommendation:* If YNHHS agrees to continue to allow the grossed-up billings, the DBO may continue in that manner. Ultimately, whether it is agreed upon at the time of billing or at the time the full operational deficit is covered, a negotiation will need to occur between the DBO and YNHHS to cover the assessments/deficit.

*DBO Issue:* YNHHS agreed, many years ago, to fund the cost of a postgraduate associate who assists the department's clinical doctors with research needs when the physicians are elsewhere (e.g., in the clinics or operating rooms), and YNHHS has agreed to fund the operational deficits of the department. Historically, when the request for the amount needed is made, a gross-up is included within the billing.

*YSMCO Recommendation:* If YNHHS agrees to continue to allow the grossed-up billings, the DBO may continue in that manner. Ultimately, whether it is agreed upon at the time of billing or when the full operational deficit is covered, a negotiation will need to occur between the DBO and YNHHS to cover the assessments/deficit.

*DBO Issue:* Gifts have been provided to the department in the past, and YNHHS has absorbed the YSM assessment. The department should continue to expect this arrangement, correct?

*YSMCO Recommendation:* Per the updated process outlined in Appendix A, the DBO should not continue to expect the aforementioned arrangement with YNHHS. As it is not common practice for external donors to bear the responsibility of covering internal gift assessments, YSM does not expect YNHHS to cover assessments on special funds gifts. Note that if a department would like to negotiate a gross-up with YNHHS, it may do so; however, any assessments passed onto YNHHS through grossed-up billings would require approval by the DBO's finance contact(s) at YNHHS. Additionally, even if the direct costs plus the gross-up are within the "available" YNHHS gift balance, it should still be confirmed with/noted to YNHHS that the request for funds includes an amount to cover the 12% assessment.

## Appendix A: December 8, 2022 message to YSM Lead Administrators and F&A Managers

### Yale SCHOOL OF MEDICINE

**From:** YSM Controller's Office

**To:** YSM Lead Administrators and F&A Managers

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Currently, most external revenue, including that received from Yale New Haven Health System (YNHHS), is subject to an assessment.

The YNHHS "Special Funds" transfer is separate from the YNHHS – Yale Medicine monthly Shared Services Agreement that is processed by Yale Medicine. The revenue that is associated with the Special Funds transfer is typically gift-type in nature, processed differently by YNHHS, and cannot be included with the Shared Services invoice.

Effective January 1, 2023, all income transferred from YNHHS that is classified as Special Funds will be treated as gifts and will be subject to a 12% assessment (previously 12% for gift income and 10% all other income), at the expense of each respective department. Therefore, the recommendation of the YSM Controller's Office is to **not gross up billings to YNHHS for these assessments**, consistent with university policy noting that other external donors do not bear the responsibility of covering internal gift assessments. Note that if a department would like to negotiate a gross up with YNHHS, it may do so; however, a) the YSM Controller's Office makes the aforementioned recommendation and b.) any assessments passed onto YNHHS through grossed up billings would require approval by the department's finance contact(s) at YNHHS. Additionally, all revenue will now be recorded under a **new ledger account and revenue category (LA45049: YNHHS Income – Special Funds/RC322)**.

Lastly, should income be received to fund specific items (e.g., income to fund equipment), please continue to use the "F&A Reduction or Waiver Request – Non-Sponsored" form for any assessment waiver requests. The form is located [here](#) on the YSM Controller's Office site, and all submissions will be reviewed by the Deputy Dean, YSM Finance & Administration.

**Please let us know if you have any questions, and as always, kindly disseminate this notice to your teams.**