

IDENT	FIN-13
Type of Document:	Policy
Type of Policy:	Corporate
Sponsor's Dept:	Finance
Title of Sponsor:	CFO
Title of Approving Official:	CEO
Date Released (Published):	May 30, 2017
Next Review Date:	January 31, 2018

SUBJECT: Indirect Expenses Policy

1. Purpose of policy

The purpose of this policy is to ensure that goods and services which cannot be specifically assigned as direct costs, and which benefit the overall operation of Vermont Information Technology Leaders (VITL) are purchased in a cost-effective manner.

2. Scope

- a. This policy applies to all procurements for goods and services necessary to the overall operation of VITL (indirect expenses). Procurement of goods and services for federal grants or reimbursements of travel, mileage or parking are covered under separate policies.
- b. This Policy sets forth internal guidelines for the benefit of VITL and its officers, directors, employees and agents, and does not confer any right or other benefit on any third party. The provisions of this Policy may not be used by any third party in any action or other proceeding against VITL or its interests.

3. Standards of conduct

- a. **Conflict of interest**- No employee, officer, or agent of VITL may participate in the procurement of a good or service if he or she has a real or apparent conflict of interest. Such a conflict of interest would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract.
- b. **Gifts/Gratuities**- The officers, employees, and agents of VITL may neither solicit nor accept gratuities, favors, or anything above nominal value from contractors or parties to subcontracts.
- c. **Violation of Standards**-Officers, employees, or agents of VITL shall be subject to disciplinary actions for violations of these standards.

4. General provisions

- a. The good or service to be procured must be necessary and reasonable for VITL to perform its activities
 - i. The cost must be of a type generally recognized as ordinary and necessary for the operation of VITL or a similar organization

- ii. 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.

5. Types of Indirect Expenses

- a. General Infrastructure:
 - i. Purchase of general infrastructure such as employee laptops or computers, telephone systems, entity wide software and the like shall be purchased in the most cost-effective manner possible
- b. Consultants, Legal & Accounting
 - i. In the conduct of normal business, VITL may require the services of subject matter experts in a variety of disciplines including legal and accounting. VITL will strive to ensure that it obtains cost-effective pricing for such professional services, taking into consideration the need for confidentiality, knowledge of VITL, knowledge of the public environment which VITL operates in, and the immediacy of need to address complex legal, human resources, and technological issues.
- c. Fringe Benefits
 - i. The purchase of health insurance, dental insurance, life insurance, and other employee benefits, as well as professional development, are covered in VITL's Compensation Policy FIN-02.
- d. Occupancy Costs
- e. General insurance
- f. Office supplies and other administrative expenses
- g. Any other expenses that support VITL's overall activities and which are not readily and objectively assigned to specific activities

6. Procurement process

- a. Existing arrangements with legal counsel, auditors, consultants, occupancy, and technology infrastructure vendors that are accounted for as indirect expenses do not need to undergo an annual procurement process. Procurement activity will take place for these types of expenditures when determined by management to be in the best interests of VITL. When such a determination has been made to conduct a procurement of indirect expenses, VITL will execute this procurement in accordance with the thresholds and processes of VITL's procurement policy. Should a determination be made to change VITL's legal counsel, auditors, or primary technology infrastructure, management shall seek approval from the Finance Committee.

7. Approvals




- a. All general infrastructure purchases over the micro-threshold value require approval by VITL's Chief Technology Officer (CTO); in addition,
 - 1. Purchases up to \$50,000 require approval by the CFO;

- 2. Purchases over \$50,000 but under \$500,000 require the approval of the CEO;
 - 3. Purchases over \$500,000 require Board Approval.
- b. All other goods and services accounted for as indirect expenses.
- i. The CFO or designee will review all procurements over \$3,500 to determine whether they are planned or unplanned. The grid below outlines the approval thresholds.
 - 1. The CFO may approve expenses for goods and services up to \$50,000 when included in the Approved Budget and Plan.
 - 2. The CEO may approve expenses for in goods and services up to \$500,000 when included in the Approved Budget and Plan. The CEO may approve expenses up to \$200,000 when not included in the Approved Budget and Plan.
 - 3. The Board of Directors will review and approve unbudgeted expenses above \$200,000.

Service Level Description	Planned Grant or Contract	Unplanned Grant or Contract	Planned Non-Competitive Contract	Unplanned Non-Competitive Contract
Chief Financial Officer	Up to \$50,000	\$0	Up to \$50,000	\$0
Chief Executive Officer	Up to \$500,000	\$200,000	Up to \$500,000	\$200,000
VITL Board	Over \$500,000	Over \$200,000	Over \$500,000	Over \$200,000

8. Policy Review & Approval

VITL will review this policy annually and reserves the right to update this policy at any time to reflect VITL’s intentions and compliance requirements.

 <hr/> Reviewed by: CFO	<u>May 5, 2017</u> Date
 <hr/> Approved by: CEO	<u>May 5, 2017</u> Date
Approved by the VITL Board of Directors and effective May 30, 2017:	
 <hr/> Bruce Bullock, MD, VITL Board Chair	