

Complete Title:	Expenditure Control Policy, Regional Medical Associates of Hamilton Donation
Approved by:	MDSM Council
Date of Most Recent Approval:	October 9, 2019
Supersedes/Amends Policy Dated:	September 10, 2008
Next Scheduled Review:	TBD
Responsible Executive:	Vice Dean, Clinical Services
Policy Specific Enquiries:	Please contact the office of the Vice Dean Clinical Services
General Policy Inquiries:	FHS Secretariat (fhssec@mcmaster.ca)
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Accessibility:	If you require this document in an accessible format, please email fhssec@mcmaster.ca

I. Introduction

The RMA donation will be used for the advancement of education and research related to the provision of professional health services at McMaster University.

The responsibility for the effective management of the RMA donation is shared by the Michael G. DeGroote School of Medicine Council, clinical department chairs and the Dean and Vice-President of the Faculty of Health Sciences. It is increasingly important that the procedures of expenditure control be clearly understood and followed given the not-for-profit status of RMA and the tax status of the donation from RMA to the University.

II. Structure Of The RMA Donation

- 1) The Faculty of Health Sciences managed Clinical Practice Plan has first priority on the use of the RMA donation. If there are unexpended funds available from the RMA donation after the expenditures of the Clinical Practice Plan have been covered, the Michael G. DeGroote School of Medicine Council can then approve allocations to the Dean, the Faculty Reserve and distribution to clinical departments. Any distributions to departments are under the control of the department chair.
- 2) Regular reporting of actual and projected income and expenses will be prepared by the departments for review and approval by the Michael DeGroote School of Medicine Council and the Dean and Vice-President of the Faculty of Health Sciences. Consolidated projections will be prepared by the Faculty of Health Sciences Finance Department and

presented to the Michael DeGroote School of Medicine Council as required. The clinical departments are responsible for reviewing any changes to the Faculty of Health Sciences Finance Office immediately.

- 3) All activity (human resources, financial, etc.) must conform to University and Faculty policies and procedures.

III. EXPENDITURE CONTROL PROCEDURES

1) Clinical Practice Plan

The Clinical Practice Plan is managed within University chart of accounts and encompasses the RMA donation, operating costs of clinical departments supported by the clinical practice plan and the cost of practice accounts of individual physicians. The types of expenditures which are allowed against the RMA donation must be approved by the Michael DeGroote School of Medicine Council and the Dean and Vice-President. These costs relate to the operating of clinical teaching units and clinical department expenses supporting clinical faculty as determined by department policy.

These costs include, but are not restricted to, the following:

- a) faculty salaries and fringe benefits (faculty members include clinical scholars and those paid on clinical contracts).
- b) costs of practice which include secretarial salaries and fringe benefits, travel, equipment and supplies/expenses.
- c) central practice plan costs such as interest expense and illness guarantees.
- d) the staff costs to operate the department which are partially funded by the clinical education budget of affiliated teaching hospitals ("cost share" positions) and are not funded by MTCU and other funds such as AFP.

The University holds the title for all items purchased with the funds from the clinical practice plan.

Clinical faculty research leaves to be funded by clinical earnings must be approved by the Council of Michael G. DeGroote School of Medicine and the Dean/Vice-President to ensure that the leave is financially viable.

Clinical department chairs are responsible for their department's income and expenses. The chair is required to take timely corrective action to ensure that the department does not overspend its income in any fiscal year.

Annual reporting of year end results will be prepared by the Faculty of Health Sciences Finance Department. Any deficits in the plan must be resolved before any distribution to departments is approved by the Michael DeGroote School of Medicine Council.

2) Distribution to Departments

The funds which are approved to be distributed to clinical departments are the responsibility of the chair. These funds may only be used for the following:

- a) non-salary expenses to run the department such as books, periodicals, travel, supplies/expenses, equipment and seminars.
- b) salary payments for part-time medical, technical and clerical/secretarial support.
- c) full-time clerical/secretarial and technical staff for a defined period of time.
(see Section III.3)
- d) other expenses at the discretion of the chair with the advice from the departmental Financial Management Committee.

The University holds the title for all items purchased with the funds from the distribution to departments.

The chair ensures that annual expenditures do not exceed the distribution to the department. An annual budget should be prepared which balances the funds distributed to planned expenditures and, to promote openness and transparency, can be reported to the departmental financial management committee. All surplus/deficit balances are carried forward to next year. The clinical department is responsible for covering any deficits resulting from over-expenditure of the distribution.

3) Financial Reserves

The unspent departmental distributions will be held as a cash reserve to offset any future practice plan deficits of a department. These cash reserves will earn interest income (on surplus balances) and any deficits will incur an interest expense as outlined below.

- a) Deficit financing of activities from a soft funds program is not permitted.
- b) Interest income on the monthly surplus balance contained in the department's main soft funds program will be calculated at the rate of 0.5% below the current interest rate being earned by the University on its current funds and will be calculated on a monthly basis on each department's main soft fund program and credited to the account on an annual basis. For the sake of clarity, if the current interest rate being earned by the University is less than 0.5%, then no interest income will be credited to the account.
- c) If a monthly balance of any of a department's soft fund program is in a deficit, interest expense will be calculated at the current interest rate being earned by the University on its current funds. Interest calculated at this rate will be debited to each program in a deficit position.
- d) The program must not be in a deficit position at any time and any inadvertent deficits must be cleared within ten days. If not cleared by the department, then FHS Finance

will clear the deficit at the end of each quarter by transfer of funds from the main soft funds program.

The cash balances and disbursement of reserve funds will be reviewed by the departmental Financial Management Committee.