Revisions to R10.01 Policy
Date: October 23, 2018

The current R10 research policies were written in 1992 and require an overhaul. A recent external review of research financial procedures and unit responsibilities recommended several important changes which have subsequently been adopted by the Research Finance Steering Committee, including:

- That Research Accounting only participate in contract/agreement negotiation on an exception basis (based on financial risk level);
- That financial risk evaluation of all projects be based on criteria established by Research Services, and that this evaluation be used to determine when research accounts can be set up prior to receipt of funds; and
- That project activation occur at the planned start date for most projects, except for high financial risk situations.

The changes to R10.01 address the above, and also include a clear redefinition of roles, a significant expansion of the risk matrix used to evaluate agreements to include non-financial risks, and a new evaluation and decision model that increases our ability to effectively and professionally evaluate and manage risk. In particular there is a shift in responsibilities between Research Services and Research Accounting in the evaluation of risk, designed to improve response time and service to researchers.

The revised R10 policy also clarifies university indirect costs recovery (overhead) rates, changing the outdated 100% to the currently used value of (minimum) 25% on all external contracts, except where regulations prevent such payments. Note that tri-council grants are not subject to overhead due to the federal provision of the Research Support Fund.
External Research Funding Agreements

Faculty and professional staff at Simon Fraser University are encouraged to seek research support from external agencies such as governments at all levels, industry and other elements of the private sector, philanthropic foundations and other organizations.

Although research at the University is traditionally grant-supported, many sponsors (including industry and government) prefer to contract research, for diverse purposes (such as the development of business, or new products, programs, or services). The nature of a contract necessitates a sponsor-driven relationship with the University, and requires a business-like approach. Further, many grants, including those from the Tri-Agency, are based on a master agreement between the University and the Agency. Thus, the term Research Funding Agreements is used hereafter to encapsulate both grants and contracts.

Entering into a Research Funding Agreement elevates the relative priority of the activity’s claim to University facilities and resources. Once an agreement is signed, the University is obliged to implement the terms as agreed; failure to do so risks financial or reputational repercussions. Consequently, it is imperative that both researchers and the University ensure that all aspects of Research Funding Agreements are carefully considered before being accepted and, once accepted, carefully integrated into the ongoing activities of the department(s) in which the research is to take place.

2.0 PURPOSE

2.1 To set out the criteria for the approval and execution of external Research Funding Agreements.

2.2 To provide clarity of roles and responsibilities so administrators and others can manage their respective areas of responsibilities in an effective, efficient and transparent manner.
2.3 To ensure sound stewardship of all resources and assets, and to ensure that risk management processes are in place to support effective and informed decision-making, as well as to provide for consistent accountability and reporting throughout the University.

3.0 SCOPE and JURISDICTION

3.1 This policy applies to all employees of the University.

3.2 This policy applies to all external Research Funding Agreements entered into by the University for research carried out by University faculty or staff, using University resources, services, facilities or equipment.

3.3 This policy does not apply to services sometimes performed using available equipment or personnel to provide non-research services to outside agencies or companies. Refer to Policy AD 3.13 – Service Contracts for this and similar types of activity.

4.0 DEFINITIONS

4.1 Research Funding Agreements: refers to agreements with the University to provide funding intended for research purposes, whether the agreement is considered a grant, contract, contribution agreement, or whether the agreement takes any other form, and whether it is legally enforceable or not.

4.2 Research: refers to an undertaking intended to extend knowledge through a disciplined inquiry and/or systematic investigation.

4.3 Indirect Costs of Research: refers to those costs which are real but not easily identifiable with a particular research project such as, but not limited to, utilities, the provision of institutional facilities, space, accounting, payroll and personnel services, janitorial services, and provision for equipment replacement.

4.4 Project Leader(s): refers to one or more persons leading a research project. This encompasses the term ‘Principal Investigator’ typically used by the Tri-Agency.

5.0 POLICY

5.1 The University will accept Research Funding Agreements which are consistent with the University's vision and strategy, conditional on the negotiation of mutually acceptable terms and conditions, and the availability of required expertise, facilities, and services.

5.2 Research Funding Agreements must conform to the standards set by this policy and its accompanying Procedures, and all relevant University policies, procedures, and regulations.

5.3 The agreement should be of overall benefit to the University, providing the University with resources, research infrastructure, or facilities not otherwise available from University funds; academic benefits to staff or educational opportunities for students; secondary benefits in line with the Strategic Research Plan; or a share of the revenues from the commercial use of the results.

5.4 Agreements must be between the University and the sponsoring agency and may not be written in the name of an individual, a Department, Institute, School or Faculty.
6.0 **ROLES and RESPONSIBILITIES**

6.1 The Vice-President, Research and International is responsible for:

6.1.1 ensuring that applications for external funding and all External Funding Agreements conform with the requirements of all applicable University policies;

6.1.2 ensuring that all External Funding Agreements have been reviewed and executed in accordance with the accompanying Procedures;

6.1.3 negotiating contracts between the University and sponsoring agencies. Once the work statement and budget have been established by the Project Leader, further negotiation should be carried on directly between the agency and the appropriate University representative who will inform the Project Leader, seeking their advice where appropriate.

6.2 The Faculty Dean is responsible for:

6.2.1 approving, in writing, the terms of the agreement;

6.2.2 sharing administrative responsibility.

6.3 The Department Chair or Director is responsible for:

6.3.1 approving, in writing, the terms of the agreement;

6.3.2 sharing administrative responsibility.

6.4 The Project Leader is responsible for:

6.4.1 establishing the work statement and budget of the agreement;

6.4.2 approving, in writing, the terms of the agreement;

6.4.3 implementing all relevant compliance processes (for e.g., securing Research Ethics Board approval as per Policy R20.01) and securing relevant approvals;

6.4.4 providing Research Services with copies of applications, contracts, and any subsequent award notifications, reports or materials;

6.5 The Director, Research Services is responsible for:

6.5.1 negotiating contracts between the University and sponsoring agencies;

6.5.2 seeking the advice of the Project Leader and affected stakeholders during negotiations;

6.5.3 administering this policy and related procedures; and

6.5.4 maintaining an inventory of funded and unfunded research projects in the University.

7.0 **POLICY REVIEW**

This policy shall be reviewed every four years.
8.0 **AUTHORITY**

The Vice-President, Research and International administers this policy.

9.0 **INTERPRETATION**

Questions of interpretation and application of this policy or its procedures shall be referred to the President, whose decision shall be final.

10.0 **ASSOCIATED PROCEDURES**

Procedures for the Approval of External Research Funding Agreements;
Indirect Costs Recovery on External Research Funding Agreements

*Individuals performing research under the auspices of the University must adhere to compliance-related policies, procedures and guidelines including R20.01 Ethics Review of Research Involving Human Participants, R20.02 Biosafety Policy, R20.03 Treatment of Animals in Research and Teaching, R20.04 Radiological Safety, R20.05 Non-Ionizing Radiation Safety, and other applicable University, Faculty and departmental procedures.*
Procedures for the Approval of External Research Funding Agreements

1.0 PURPOSE

1.1 The purpose of these procedures is to outline the appropriate process for applying for and receiving research grants and negotiating and signing research contracts – known collectively as external Research Funding Agreements.

2.0 DEFINITIONS

2.1 Research Funding Agreements: refers to agreements with the University to provide funding intended for research purposes, whether the agreement would be considered a grant, contract, contribution agreement, or whether the agreement takes any other form, and whether it is legally enforceable or not.

2.2 Research: refers to an undertaking intended to extend knowledge through a disciplined inquiry and/or systematic investigation.

2.3 Indirect Costs of Research: refers to those costs which are real but not easily identifiable with a particular research project such as, but not limited to, utilities, the provision of institutional facilities, space, accounting, payroll and personnel services, janitorial services, and provision for equipment replacement.

3.0 PROCEDURE

Application/Proposal Stage

3.1 Before submission to an external sponsoring agency, every application or proposal for externally sponsored research must be approved internally. Internal approval requires that:

3.1.1 the application or proposal be signed in accordance with any applicable requirements;

3.1.2 the “Research Funding Approval Process” be completed and signed/approved by the required individuals (see 3.3); and
3.1.3 Conflicts of Interest be declared as part of this process, as outlined in Policy GP-37.

3.2 Indirect Costs must be included in the agreement budget as specified in the Procedures: “Indirect Costs Recovery on External Research Funding Agreements”

3.2.1 With the exception of Tri-Agency grant proposals, budgets should be presented as a total “price” to the sponsoring agency with the indirect cost built into each budget line item, unless a sponsoring agency requires the indirect recovery charge to be presented as a separate line item. The indirect cost recovery will be automatically deducted from research accounts.

**Negotiation Stage**

3.3 If a contract is required, including those resulting from grant agreements, contracts staff in Research Services assume primary responsibility for negotiations, working with the Project Leader and the sponsoring agency.

3.3.1 Should financial terms fall outside acceptable norms, Research Accounting will be consulted.

3.3.2 The Project Leader and co-applicants are advised on progress and consulted on any decisions that affect the research proposal.

3.3.3 The Project Leader will also be responsible for advising the university members (including students) of the terms and conditions of the agreement applicable to such members and obtaining any necessary signatures (for example, when intellectual property is assigned to the sponsoring agency).

**Review and Signature Stage**

3.4 In the course of negotiating the contract, contracts staff in Research Services will complete the Risk Matrix (Appendix A, including a more detailed decision model detailed in operational procedures) and provide an overall assessment of risk in five categories. Based on this assessment and the procedures detailed in Appendix B – Research Agreement Process, additional approvals may be required.

3.5 The procedures detailed in Appendix B – Research Agreement Process will govern risk assessment and subsequent approval steps, non-payment guarantees, and account opening.

3.6 The Research Services review includes the following components, as required:

3.6.1 Legal risk review, elevated where required to Research Legal Counsel or University Counsel. Examples where additional review may be required include contracts with entities from foreign jurisdictions, or contracts with potential of injury to persons, property or the environment.

3.6.2 Liability and indemnity and insurance review, involving the Risk Management Office.

3.6.3 Information and Privacy review, elevated where required to the SFU Information and Privacy Officer.

3.6.4 Policy risk review, focused on alignment with all other relevant SFU polices;

3.6.5 Reputational risk review; and

3.6.6 Financial risk review. As detailed in Appendix B, contracts deemed high risk (financial) or over $500,000 (life of project) will require a co-signature from the Vice-President Finance and Administration.
3.7 Research Services staff coordinate the contract signature process on behalf of the University in accordance with the Signing Authorizations Policy (B10.11).

3.8 The “Research Funding Approval Process”, managed by Research Services, is used to obtain signatures from all areas of the University sharing operational and administrative responsibility for the agreement and project. These normally include, but are not limited to:

3.8.1 **The Vice-President, Research and International (normally delegated to the Director, Research Services)**: indicates that the University will encourage the prosecution of the research to the extent that available facilities and resources permit, and that the University is prepared to administer funds received on behalf of the Project Leader;

3.8.2 **The Dean of the Faculty**: confirms the Dean’s approval regarding allocation of infrastructure or other resources within the Faculty for performance of the proposed research and any course release, and indicates awareness of any declared Conflicts of Interest; The Dean’s signature is also sought when non-payment risk is high and cannot be borne by the University;

3.8.3 **The Department Chair or Director**: acknowledges the availability in the department of facilities, space, and resources required to carry out the project and acknowledges the proposed time commitment by the Project Leader to the project (in non-departmentalized Faculty, the Dean’s signature is required);

3.8.4 **The Project Leader**: indicates their acceptance of the terms and their willingness to carry out the work within the established budget and the availability and sufficiency of the internal and external resources identified in the project description. Should the overall budget on a Research Funding Agreement be exceeded, it is the responsibility of the Project Leader to make arrangements for payment for the over-expenditure.

3.8.5 **The Vice-President, Finance and Administration**: (when required, as detailed in 3.6.4) signifies that financial risk has been appropriately addressed.

**Project Setup Stage**

3.9 Once an agreement has been fully executed, Research Services staff will:

3.9.1 Provide the Project Leader with a copy of the fully executed agreement;

3.9.2 Provide Research Accounting with project setup details (e.g., reporting requirements, payment schedule, eligible costs).

3.10 If financial risk is evaluated as ‘low’ and all other compliance processes are complete, the project account will be opened on the project start date.
Indirect Costs Recovery on External Research Funding Agreements

1.0 PREAMBLE

Indirect costs of research are ongoing, necessary operating expenses that are attributed to the University or a specific department, but cannot be attributed to the specific project or product. Indirect costs are real costs that are directly related to research projects, and include:

- Space allocated to the specific projects including utility costs, cleaning, and maintenance;
- Faculty and departmental services such as shops, secretarial and office assistance, purchasing, or shared equipment;
- Academic services such as the Library and Information Technology;
- University-provided administrative services such as Purchasing, Finance, and Human Resources;
- Research and contract administration and support such as Research Services; and
- Regulatory compliance activities and support from units including Research Ethics, Animal Care, and Biohazards/Biosafety.

The indirect cost recovery rate is only a partial recovery of the University’s cost of supporting research. CAUBO (2013) estimates the average indirect cost for Canadian institutions as 49% of direct costs.

2.0 PURPOSE

2.1 To define indirect costs recovery rates for research agreements.

3.0 DEFINITIONS

3.1 Research Funding Agreements: refers to agreements with the University to provide funding intended for research purposes, whether the agreement is considered a grant, contract,
contribution agreement, or whether the agreement takes any other form, and whether it is legally enforceable or not.

3.2 **Indirect Costs of Research:** refers to those costs which are real but not easily identifiable with a particular research project such as, but not limited to, utilities, the provision of institutional facilities, space, accounting, payroll and personnel services, janitorial services, and provision for equipment replacement.

4.0 **PROCEDURE**

4.1 Indirect costs at the rates set out below must be included in any research project budget, except when expressly prohibited (or limited) by the funding organization’s policy.

<table>
<thead>
<tr>
<th>Funding Category</th>
<th>Indirect Costs (Overhead) Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research grants from government and not-for-profit organizations</td>
<td>Standard Rate: A minimum of 25% of direct costs, unless specifically dictated by law or formal policy. Examples include:</td>
</tr>
<tr>
<td>Contracts with government and not-for-profit organizations</td>
<td>Government of Canada Contracts: 65%* of salaries and benefits, 2% of travel.</td>
</tr>
<tr>
<td>Matching funds on Tri-Agency grants</td>
<td>US Government: 62.9%* on direct salaries and wages including all fringe benefits</td>
</tr>
</tbody>
</table>

* Subject to change

4.2 **Distribution:** With the exception of programs and contracts that have a university-wide impact, all indirect costs realized from research agreements will be divided between University centralized services and the initiating Faculty.

4.3 With the exception of Tri-Agency grant proposals, budgets should be presented as a total “price” to the sponsoring agency with the indirect cost built into each budget line item, unless a sponsoring agency requires the indirect recovery charge to be presented as a separate line item. The indirect cost recovery will be automatically deducted from research accounts.

5.0 **INTERPRETATION**

Application of this procedure is the responsibility of the Vice-President, Research and International, normally through the Director, Research Services.
**Appendix A: Risk Matrix**

The following summary is a non-exhaustive illustration of the check and decision processes used by negotiators and/or legal counsel to generate a risk assessment summary.

<table>
<thead>
<tr>
<th>Question or Risk</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Summary Section</strong></td>
<td><strong>Rating</strong></td>
</tr>
<tr>
<td>Based on my knowledge of the substance of this contract and my discussions with subject matter experts, my assessment of the risks to Simon Fraser University is as follows:</td>
<td>H M L</td>
</tr>
<tr>
<td>A. General risks</td>
<td>H M L</td>
</tr>
<tr>
<td>B. Financial risks</td>
<td>H M L</td>
</tr>
<tr>
<td>D. Legal risks</td>
<td>H M L</td>
</tr>
<tr>
<td>E. Policy risks</td>
<td>H M L</td>
</tr>
<tr>
<td>F. Reputational risks</td>
<td>H M L</td>
</tr>
</tbody>
</table>

**Checklist and Specific Ratings**

### GENERAL RISKS

**Terms & Renewals**

- Is this a new contract? OR
- Is this a renewal under the existing contract (with same terms and conditions and wording that permits an extension (term + renewal cannot be more than current fiscal plus 6 years from contract execution) **Check**
- The contract has one clear start date and one expiry date. **Check**
- All renewals require written approval (e.g., no automatic roll overs or perpetual evergreen arrangements). **Check**
- Are deliverables, milestones, scope clearly defined? (Does SFU have the ability to deliver accordingly?) **Rate**

**Definitions of Parties/Terms**

- The contract sets out the formal Legal names of the parties (a "party" is: a corporate entity (e.g., Simon Fraser University, not a department or a person). **Check**
- The names of the parties are the same on the execution (signing) page **Check**
- Any Schedules referred to in the contract should be attached to the contract **Check**

**Due Diligence**

- You have completed due diligence to determine that there are no inherent impacts on other areas/departments at SFU **Check**
- One person at SFU has been identified to monitor this contract on a timely basis **Check**

### FINANCIAL RISKS

- There are no financial risks in this contract (i.e., no money involved). OR **Check**
- The contract is in compliance with SFU policies and procedures **Check**

**(if above 2 are all TRUE skip to next section: collateral costs)**

- Total expenditures over term of contract and renewal are less than $100,000 (including taxes and delivery) = LOW; < $500,000 = MED; Otherwise = HIGH **Rate**
- The fees/costs are denominated in Canadian dollars (otherwise rate exchange risk) **Rate**
<table>
<thead>
<tr>
<th>Revised Policy R10.01</th>
</tr>
</thead>
<tbody>
<tr>
<td>The payments correspond to specific milestones or reasonable payment schedule exists</td>
</tr>
<tr>
<td>Clear and reasonable reporting requirements</td>
</tr>
<tr>
<td>Considered pass through (&gt; 90% goes out)</td>
</tr>
<tr>
<td>Billing, surplus and carry forward terms well defined (or clarified separately)</td>
</tr>
<tr>
<td>Subcontracting terms well defined (sub out from SFU)</td>
</tr>
<tr>
<td>Equipment ownership well defined</td>
</tr>
<tr>
<td>No nonpayment risk</td>
</tr>
<tr>
<td>No repayment/penalty risk</td>
</tr>
<tr>
<td>Overhead correctly applied</td>
</tr>
<tr>
<td>No or clear budget restrictions (eligible expenses, variance limits, full cost applied)</td>
</tr>
<tr>
<td>Sponsor covers non-cancellable obligation (payment in case of early termination)</td>
</tr>
<tr>
<td>Are there specific audit requirements?</td>
</tr>
<tr>
<td><strong>Collateral Costs: Are there:</strong></td>
</tr>
<tr>
<td>Additional staff</td>
</tr>
<tr>
<td>Additional equipment</td>
</tr>
<tr>
<td>Significant technology investment or application development to fulfill project</td>
</tr>
<tr>
<td>Additional space</td>
</tr>
<tr>
<td>Renovations</td>
</tr>
<tr>
<td>Special insurance issues</td>
</tr>
<tr>
<td>Special document retention requirements?</td>
</tr>
<tr>
<td><strong>Insurance/Indemnity</strong></td>
</tr>
<tr>
<td>The insurance and indemnity wording reviewed by SFU Risk and Safety Officer</td>
</tr>
<tr>
<td>Is there a limitation of liability clause?</td>
</tr>
<tr>
<td>Does SFU accept liability for subcontractors?</td>
</tr>
<tr>
<td>SFU is liable for damages from use of research results?</td>
</tr>
<tr>
<td><strong>LEGAL RISKS</strong></td>
</tr>
<tr>
<td>Contract has a clear, reasonable/specific timeline for delivery of services/products</td>
</tr>
<tr>
<td>Contract permits SFU to terminate (usually on 30 days’ notice)</td>
</tr>
<tr>
<td>Contract permits other party to terminate?</td>
</tr>
<tr>
<td>Adequate notice period?</td>
</tr>
<tr>
<td>Can SFU terminate if key staff not in SFU’s service for any reason?</td>
</tr>
<tr>
<td>Contract allows SFU to terminate if a Force Majeure event occurs?</td>
</tr>
<tr>
<td>Contract does not require confidentiality or non-disclosure by either party (e.g., of trade secrets, internal processes, personal information).</td>
</tr>
<tr>
<td>Contract specifies the period of time any confidentiality/non-disclosure provision applies</td>
</tr>
<tr>
<td>Must results be confidential?</td>
</tr>
<tr>
<td>Will students, group members have to sign NDA?</td>
</tr>
<tr>
<td>SFU right to publish entrenched?</td>
</tr>
<tr>
<td>Contract does not involve the disclosure to another party of any personal information collected/held by SFU</td>
</tr>
</tbody>
</table>
Revised Policy R10.01

<table>
<thead>
<tr>
<th>No IP to be created under this contract (i.e. software, a report, a website, a brochure, data, photographs, etc.) OR SFU PI or SFU gets ownership of IP produced or at the least a right to use the work product and is able to modify/revise/change the work product later. (i.e., a license).</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>The contact information for parties to receive and requirements to give formal notices uses titles, addresses and fax numbers as contact information (avoid putting in personal names or e-mail addresses)</td>
<td>Check</td>
</tr>
<tr>
<td>Any and all changes to the original contract have been initialed by both parties</td>
<td>Check</td>
</tr>
<tr>
<td>The signatures confirm authority to sign this contract, under Signing Policy</td>
<td>Check</td>
</tr>
<tr>
<td>The other party has signing authority to bind the institution/company.</td>
<td>Check</td>
</tr>
<tr>
<td>Governing jurisdiction acceptable?</td>
<td>Rate</td>
</tr>
<tr>
<td>Obligations of both/all parties are set out clearly</td>
<td>Rate</td>
</tr>
</tbody>
</table>

**POLICY AND COMPLIANCE RISKS - Contract complies with:**

- Purchasing Policy | Rate |
- Conflict of Interest Policy | Rate |
- Ethics, animal care, biosafety, | Check |
  (Additional policies: Data Security)

**REPUTATIONAL RISKS**

- SFU has references that speak to the integrity and reliability of the individual / institution / company we are entering into the contract with | Rate |
- There is nothing in this contract or about the process surrounding the award of this contract that may damage SFU’s reputation | Rate |
- No statements allowing the other party to use SFU’s name In any advertising, endorsement or promotion without SFU’s prior written approval. | Check |
- Political reason for caution? (e.g. country lacks diplomatic skills) | Rate |
Appendix B: Research Agreement Negotiation and the Risk Register Process

- **Contracts Officer**
  - Contract Received
  - Contract negotiation (incl. Risk Register Assessment)
  - Any section risk > LOW?
    - Yes: Discuss contract incl post-award oversight needs
    - No: Financial Risk = MED or HIGH?
      - Yes: Financial Risk = HIGH or > $500K
        - Yes: Significant non-payment risk not mitigated?
          - Yes: Review Risk Register and queue for appropriate approvals
            - Director, Fin Services
            - Associate VP, Finance
            - VP, Fin & Admin
          - No: Financial Risk = LOW?
            - Yes: Contract Signed
            - No: Request account opened as of project start date
  - No: Post-award admin ramped up as required (e.g. PM time, Dept. Admin oversight, etc.)

- **ORS Director**
  - Contract negotiation consultation if required
  - Discuss contract and risk register
  - Significant non-payment risk not mitigated?
    - Yes: Review Risk Register and queue for appropriate approvals
    - No: Financial Risk = LOW?
      - Yes: Contract Signed
      - No: Request account opened upon payment receipt

- **Assoc Director, Finance**
  - Post-award admin ramped up as required (e.g. PM time, Dept. Admin oversight, etc.)

- **VP, Finance & Administration**
  - Review Risk Register and queue for appropriate approvals
    - Director, Fin Services
    - Associate VP, Finance
    - VP, Fin & Admin
  - Sign contract (based on $$)
    - Dir, Research Services
    - Assoc VP, Research
    - VP, Research

- **Dean**
  - Provide non-payment guarantee