

<b>University of Prince Edward Island</b>		<b>Policy Number:</b>
<b>Policy Title:</b> Contract Research Policy		<b>Page 1 of 12</b>
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**1. Purpose**

This document describes the policies of the University of Prince Edward Island related to externally funded research and research service contracts. It establishes a uniform set of guidelines for the development and administration of research contracts, establishes the authority for signing contracts, describes the University’s policy on the costing of contract services, and overhead cost recovery, and establishes how overhead recoveries are to be distributed between Faculties/Schools and Central Administration .

**2. Scope**

This policy applies to all University externally-funded research contracts and contracts for research services.

**3 Responsibility**

- 3.1 Responsibility for establishment and amendment of this policy rests with the Senior Management Group.
- 3.2 Responsibility for enforcement of this policy within each Faculty/School rests with the Dean of that Faculty/School.
- 3.3 General responsibility for enforcement of this policy rests with the Vice-President, Research and Development and the Vice-President, Finance and Facilities.
- 3.4 Responsibility for initiating review of this policy rests with the Vice-President, Research and Development. The policy is to be reviewed every three years.

## 4. Definitions

### 4.1 Types of Research Agreements

This policy makes a distinction among Research Contracts, Research Grants, Grants-in-Aid, Contribution Agreements, and Research Service Contracts. The general features of Grants, Grants-in-Aid, Research Contracts and Research Service Contracts are described in Table 1.

- “Research Grants” are awards provided by a granting agency to an individual faculty member to support research in a defined area. Research grants are made according to the regulations of the granting agency for a specific funding amount and a specific time period. Granting agencies generally have only broad guidelines on the conduct of the work and publication of the research results. In some cases, grants are given in the form of a contractual agreement between the university and an external agency when that agency is not permitted to make grants and requires a legal agreement for the transfer of the funds. Many federal and provincial government departments and agencies use contracts in this manner when the results will not be confidential and the intellectual property has limited commercial value.
- “Research Contracts” are defined as a contracts to deliver the results of a specific research activity, at a specific time to an external contractor for a pre-negotiated price.
- “Grants- in Aid” are contracts in which the project is predefined by consultation between the Principal Researcher and the sponsoring agency and differ from a Research Contracts as the conditions of timing of delivery and other terms are relaxed.
- “Contracts for Research Services” are service contracts of a more routine nature that still require specialized expertise or laboratory facilities to conduct the work. Provision of specialized or certified analytical services that are not routinely available from private sector laboratories is an example of a Contract for Research Services.
- Purchase Order Contracts are small contracts of limited value and duration.

In some cases, the University may choose to enter into another type of agreement, called a Contribution Agreement. These differ from those agreements described in Table 1, as they typically have multiple funding sources, such as combinations of government agencies and private sector companies, and may require that the University contribute part of the resources required for the project. Contribution Agreements are usually negotiated for projects which have a value to the University greater than the non-recovered costs. Contribution Agreements, particularly (but not exclusively) those with agencies of the Federal or Provincial Governments, may contain restrictions on publication of research results, claims against intellectual property, or

other conditions that require them be treated as Research Contracts. In some cases, the restrictions placed on the research results may be offset by the transfer of any new intellectual property to the University or by agreements on the sharing of revenues from the commercialization of new intellectual property. All of the terms and conditions of a Contribution Agreement, including overhead rates and contributions-in-kind from the university to the project, are negotiated as a package.

#### 4.2 Non-Disclosure Agreements and Confidentiality Agreements

These agreements are negotiated between the University and external parties to permit the free exchange of confidential information between University staff and an external organization. Non-Disclosure Agreements and Confidentiality Agreements are legal agreements between the University and another party and subject to the same scrutiny and review process as other research agreements.

#### 4.3 Overhead

For the purpose of this policy, “Overhead” is defined as funds that the University collects to cover indirect and support costs related to the conduct of research, for example:

- Hiring replacement faculty to cover a Principal Investigator’s teaching time,
- Support and technical staff time,
- Cleaning and maintenance,
- Utilities (heat, light and phone),
- Provision of research space,
- Use of laboratory capital equipment and general University equipment,
- Accounting, administrative and computer services,
- Depreciation and other indirect costs.

4.4 “Direct Costs” are the actual costs of delivering the research activities that can be explicitly identified and itemized, such as salaries and benefits of all staff funded through the project and purchased supplies and services. Supplies and services include laboratory expendables and chemicals, travel and field support, equipment rentals specific to the project, and other similar costs.

## 5.0 Costing of Contractual Agreements

### 5.1 Items to be Included in the Expenditure Budget

Research Contracts, Grants-in-Aid, Contribution Agreements, Research Service and Purchase Order Contracts must be budgeted to identify the full cost of delivering the research or service. The following guidelines should be considered in developing the budget and negotiating the cost of delivery of any research agreement. The schedule of costs must include:

- Salaries and benefits for all faculty and staff who will be working on the contract,
- Supplies and services to be purchased (including replacement of existing supplies used up in the work)
- Appropriate overheads
- Source and amount of other contributions to the costs of the contract project, where applicable.

### 5.2 Calculation of Salaries and benefits costs

The following formulas will be used to calculate the staffing costs. To determine the appropriate rate to be used for each staff person on the contract, obtain the salary and benefits rate to be used from the Human Resources department and round up the individual's salary to the nearest \$5000 to determine a base salary. Then use the following formulas to calculate the charge out rates:

Daily base rate for staff person A = [(Base salary) + (Base salary X benefits (18-24%))] / 223  
Hourly base rate for staff person A = Daily base rate / 7.5

Should there be a requirement to pay overtime for any part of the work, obtain the appropriate overtime rates from Human Resources and apply these to the base formulas.

### 5.3 Supplies and Services Costs

These should be costed on the best estimate of anticipated expenditures and be based on actual prices or quotations from suppliers. Travel costs are estimated on the basis of UPEI's Travel Policy.

### 5.4 Overhead Costs

The overhead rate to be applied meets the following criteria. It should:

- (A) reflect the full cost of provision of the service, including the depreciation of capital equipment,
- (B) be not significantly less than that charged for equivalent work in the private sector,
- (C) be within the range charged at the other universities within the Maritimes region,

- and  
(D) recognize the value of the work to the University and the external community

A summary of the overhead rates to be charged is given in Table 2.

The total overhead charged is to be calculated using one of the following formulas:

- (A) 65 % or greater of base salary plus benefits, plus 5% of supplies and services including travel, or
  - (B) 30 % of full project costs if this amount is greater than the amount calculated by formula (A).
  - (C) Clinical trials are to be budgeted with an overhead recovery rate of 30% of full project costs.
- 5.5 It is recommended that the overhead on salaries and benefits be calculated and then combined with the base rate for salaries and benefits to get a fully loaded per diem rate to be entered in the contract budget unless the contracting partner explicitly requests that the overhead be broken out. Many government agencies (for example NRC-IRAP, CANARIE) have specific guidelines for the allowable overheads on university projects. These guidelines should be used when developing the budget.
- 5.6 Contracts for Research Services and Purchase Order Contracts may be priced on cost-per-item or cost-per-service bases with the researcher bundling all of the appropriate overheads into the quoted cost for the service. The price quoted per service item should include the full cost of the service plus a small margin to allow for contingencies. A detailed breakdown of such costing must be provided to the University.
- 5.7 Many government organizations and NGOs limit overhead rates by specifying maximum per diem rates and/or maximum overhead rates. These agreements are acceptable provided the per diem rate represents a reasonable percentage of full cost recovery.
- 5.8 "In-kind" expenses contributed by any participant in the project are not subject to overheads.

## **6. Overhead Policy**

### **6.1 Scope of Policy**

This policy covers all externally funded research contracts. This policy grants each Dean the authority to distribute the Faculty share of overhead recoveries to their departments for research purposes.

### **6.2 UPEI Overhead Policy**

- (A) Project costs used in calculating the overhead charge shall normally include all project costs, but exclude student stipends, capital equipment and Robertson Library purchases.
- (B) Overhead is to be calculated and included in the budgets for Research Contracts, Grants-in-Aid, Contribution Agreements, Research Service Contracts and Purchase Order Contracts as described in section 5.4 and 5.5. In the case that there is a decision that overhead does not apply or is to be waived in whole or part, as per section 6.3, the waived overhead will still be shown in the project budget as a “contribution in-kind” from the university.
- (C) The minimum acceptable overhead rate for project costing is 30 % of all project costs or 65% of salaries, whichever is greater.
- (D) For main campus, 30% of the overhead collected on any research agreement shall be contributed to the central operating revenue of the University, and the balance of any overhead distributed to the appropriate Faculty/School. Overheads going to the Faculty/School are to be distributed according to the Faculty/School policy.
- (E) For AVC research contracts, total overheads remain within the Faculty of Veterinary Medicine and the effect of research contracts on support services shall be included in the annual ‘AVC Facilities Costs’ transfer to main campus.

### **6.3 Waiver of Overhead Charges**

Although there is some flexibility in decisions about the collection of overhead charges on various types of research agreements and, with some restrictions, these may be decided on a case by case basis, the budgets for Research Contract, Grants-in-Aid, Contribution Agreement, Research Service Contract and Purchase Order Contract projects are to be developed on a full cost basis even if the overheads and some costs are to be waived. The recorded full cost of delivering the work will be used for calculating the percentage ownership and/or revenue sharing from Intellectual Property as per paragraphs (A) and (B) below and/or in calculating the general

contribution of the University to the community.

Subject to the following, the overhead component of externally contracted research may be reduced to not less than 15 % of the full overhead amount as calculated using the formulas in Section 5.4

- (A) The Dean of the Faculty originating the research proposal may elect to waive collection of part or all of the Faculty component of the minimum overhead charge on Research Contracts, Grants-in-aid, Research Service Contracts and Purchase Order Contracts. In the case of this option being approved by the Dean, the waived component of the overhead will still be calculated and included on the financial statements to the contracting agency as “a contribution in-kind from the University”.
- (B) The Vice-President, Research and Development and the Dean of the Faculty originating the contract proposal, acting jointly, may waive collection of all or part of the overhead charge on any externally contracted research. In the case of Research Contracts, this option will only be approved if the agreements permit the University to retain full or partial rights to any new intellectual property that arises from the research and subject to the agreement of the other contributing parties that the waived component of the overhead shall be included as part of the University’s contribution to the project when negotiating ownership and/or revenue sharing percentages from commercialization of the intellectual property arising from the work. In the case of this option being approved, the waived component of the overhead will be calculated and included on the financial statements to the contributing agency(s) as part of “a contribution in-kind from the University”.

## **7. Research Results and Intellectual Property (IP)**

- 7.1 The terms and conditions agreed to for Research Contracts and Grants must include clauses stipulating the ownership and use rights of the research results and any intellectual property that may arise from the work. In general, the primary policy objective is to maintain as much control of the Research Results as possible within the University. In all cases, those negotiating such an agreement on behalf of the University should attempt to maintain ownership and control of the research results, recognizing that there may certainly be some limitations placed upon these.
- 7.2 Contribution agreements, particularly those with government departments and institutions, will likely stipulate IP ownership or may require that any IP be made available to any private sector contributors to the agreement.
- 7.3 In the majority of cases for private sector industrial research contracts, the funding sponsor will attempt to retain complete ownership of the Research Results and commercialization rights to the IP, and to place restrictions on publication to protect results. In some cases,

the contracting agency will even attempt to go further and obtain the use rights to the background IP and expertise already developed by those faculty members whose expertise is being contracted. Nonetheless, all contract agreements will require a provision that the University be allowed to use the IP and Research Results developed through Research Contracts for internal teaching and research purposes.

- 7.4 In the case that any part of contracted research results are to be used in a graduate student thesis, the contract agreement must stipulate that the publication rights remain with the University and be subject to a maximum restriction of a one (1) year delay in publication. Normally, contracting agencies will be provided with a 60 day period to review, and comment on, publications before they are released.

## **8. Small Contracts and Purchase Orders for Research Services**

- 8.1 Small contracts for a total value of \$5000 or less in a calendar year, may be treated as purchase orders for services and accepted by the Department providing the services without going through a full contract review process. These contracts are to be appropriately priced so that the Department is recovering full costs for the services provided and returning the appropriate overhead to the University.

- 8.2 The splitting up of larger contracts into purchase-order-size amounts to avoid the need to prepare and sign a full contract or to reduce the overhead cost to the contractor, is not acceptable.

## **9. Publicity**

- 9.1 Some Agencies and Commercial firms may wish to contract research to the University and request that their name not be associated with the work or publically disclosed as a source of the funding. The policy of UPEI is not to accept any funds with such restrictions and every contract will include a clause that states:

UPEI may disclose the identity of the Sponsor, the title of the Project, the name of the Investigator, the Contract Period, and the amount of funding (optional) being provided by the Sponsor in support of the Project”.

- 9.2 The University will not publicize any agreement to conduct research on behalf of a sponsor without the approval of the sponsor. However, UPEI may release the information described under 9.1 after advising the sponsor that it is doing so.

- 9.3 All contracts between UPEI and a sponsor will include a clause stating that the sponsor will not use the name of UPEI in its advertising and will not publicize the agreement to conduct research on its behalf without the prior approval of UPEI.

## **10. Acceptable Contracts**

- 10.1 The Vice-President, Research and Development and/or the Dean of the Faculty/School and/or the Associate Dean, Graduate Studies and Research at AVC where the work will be conducted has the authority to reject any contract that may harm the reputation and integrity of UPEI, either because of the nature of work requested or the reputation of the sponsor.
- 10.2 Contracts will not be accepted that require the work to be conducted in secret or have absolute confidentiality clauses with duration greater than fifteen years.

## **11. Who Can Sign Contracts**

- 11.1 All contracts, whether there are financial clauses or not, are legal agreements between the University and the contracting organization. All Research Contracts except as described under Section 8 must undergo a thorough review and be signed by the Vice-President, Research and Development and the Vice-President, Finance and Facilities or their delegates.
- 11.2 Faculty Members leading the work and/or the other staff members may be requested to sign the agreement, stipulating that they understand their obligations under it.

## **12. Contracts Administration**

### **12.1 Purchasing Goods and Services for Contracts**

It is the responsibility of the Faculty Member leading the contract to obtain favourable prices on supplies and services. All purchases of supplies and services are to be processed through the normal University policies and procedures.

### **12.2 Invoicing**

The Faculty Member leading the contract is responsible for initiating the preparation of all invoices and for verifying that the invoiced amounts are correct. All invoices are to be sent out by the University and be payable to the University.

12.3 Faculty Member Responsibility

The Faculty Member responsible for the contract is responsible for accurate estimation of the costs, for delivering the work for the contract price, and for ensuring that there are sufficient funds to cover all costs incurred.

12.4 Bad Debts

In the case that the contracting organization is unable or refuses to pay any part of the contracted amount for services that have been delivered under the contract, the University will attempt to recovery and collect these debts by legal action as necessary.

**TABLE 1. BRIEF DESCRIPTIONS OF THE SIMILARITIES AND DIFFERENCES AMONG RESEARCH GRANTS AND CONTRACTS.**

<b>Research Grant</b>	<b>Grant-In-Aid</b>	<b>Research Contract</b>	<b>Research Service Contract</b>
Work conceived and planned by investigator	Subject area suggested by external organization, project idea initiated by investigator and jointly planned with external organization	Work conceived by contractor or jointly with investigator. Both parties participate in planning	Contractor defines work
Generic description of deliverables	General description of deliverables with some flexibility in content and timing	Specific deliverables with time lines	Specific deliverables with time lines
Payment fully committed in advance	Payment fully committed in advance	Payment by installments on completion of deliverables	Payment on completion of deliverables
No payment for Principal Investigator's time	No payment for Principal Investigator's time	May include payment to Principal Investigator	May include payment to Principal Investigator
Very limited or no restrictions on publication	Very limited restrictions on publication	Results may be confidential with restrictions and delays on publication (see 7.4)	Results are confidential with restrictions and delays on publication
Projects may be suitable for at senior undergraduate or graduate students	Projects may be suitable for at senior undergraduate or graduate students	Publication restrictions may make projects unsuitable for student research (see 7.4)	Publication restrictions make projects unsuitable for student research
Intellectual Property owned by the Investigator and/or University	Intellectual Property owned by the Investigator and/or University	Intellectual Property owned by the contractor and/or the Investigator/ University	Little or no expectation of IP
Investigator and/or University can sell commercial rights to third parties	Investigator and/or University can sell commercial rights to third parties	University may have research, teaching and non-commercial use rights only	Results have no commercial resale value to University
No guarantee of a specific result	No guarantee of a specific result	No guarantee of a specific result	Generally routine work without a risk factor

**TABLE 2. OVERHEAD RATES FOR THE UNIVERSITY OF PRINCE EDWARD ISLAND**

<b>Contracting Agency</b>	<b>Recommended Overhead Rate (%)</b>
Govt. of Canada On Campus Off Campus	65% of salaries and benefits <sup>1</sup> , 2% of travel costs 30% of salaries and benefits <sup>1</sup> , 2% of travel costs
US Government	50% of salaries and benefits
Private Sector contract	Market rate for the industry sector - but not less than 65% on salaries and benefits, 5% on supplies and internal <sup>2</sup> and external services
Hospital Clinical Trials	30% of total contract value

<sup>1</sup> Not applicable to Graduate Student Stipends

<sup>2</sup> Internal services cover specific costs such as a direct charge from Facilities for reconfiguring space and electrical/plumbing adjustment, computer services, etc. Secretarial services, mail, fax, telephone costs are covered within the general overhead on salaries. External services would include items such as contracted services that are not available within the university.