UNIVERSITY OF ALBERTA

NSERC CRDs and IRCs – Contract Negotiations and Financial Management

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"uplifting the whole people"
— HENRY MARSHALL TORY, FOUNDING PRESIDENT, 1908

Today's Aim

- Understand characteristics of NSERC CRD projects and IRC programs, and how these impact the contracts entered into with industry sponsors
- Highlight contract and financial considerations to be aware of at the time of application
- Review and discuss financial reporting and eligibility obligations
- Discuss implications of industry contribution non-payment

What are NSERC CRDs and IRCs?

CRDs: Collaborative Research & Development Grants

- Specific, well-defined collaborative research project
- NSERC will match industry sponsor cash and in-kind on 1:1 basis
- NSERC will match expenses incurred up to 3 months prior to application submission date
- Can apply for 1-5 years of funding

IRCs: Industrial Research Chairs

- Program of research in area of expertise
- Collaboration w/ sponsor(s) required
- 5 years of funding; potential for renewals
- Funds may be divided between chair salary and research

Common features:

- Both are ‘true match’ programs, in which industry sponsor cash and in-kind is required in order to receive the NSERC funds
- There can be a single industry sponsor or multiple industry sponsors; can include other gov’t sponsors (unmatched)
- Sponsors must provide commitment letters and sign the NSERC application
- NSERC funds kept in separate account from industry sponsor funds
- NSERC requires financial reporting on industry funds as well as its own

What is our Role for NSERC CRD and IRC awards?

The **Partnerships** portfolio includes all NSERC CRD / IRC projects as well as many other multi-sponsor projects.

As a unit, we work with the Principal Investigators (PI's) to ensure that we have captured the appropriate rights and responsibilities for each party under the contract, and manage the funding as awarded to the University.

- Partnership Contract Specialists (CS's) review and negotiate contracts to manage these projects or programs, integrating NSERC requirements, and University legal, policy and financial requirements.

- Partnership and Institutional Projects (PIP) team has an integrated financial portfolio that manages the financial reporting, accounts receivables and payables, subgrant reporting, consolidated reporting and return of any unspent funds as required.

- RSO's redesigned website was launched in September 2017.
- Contracts Specialist will be assigned at Receive and Manage Funding stage

https://www.ualberta.ca/research/services/receive-manage-funding

Partnerships – Contracts Expertise

Don’t worry: you do not have to (and should not) negotiate the contract yourself!

The PIP team has extensive experience working with:

- NSERC Program Officers
- Industry sponsor(s) on matching programs
- Custom, proven CRD and IRC templates and optional clauses
- Legal counsel, TEC Edmonton, Risk Management, and other University supports

Partnerships – Develop and Submit Proposal

What if your industry sponsor wants to see the contract before signing onto the NSERC CRD or IRC application?

- Advise your Research Facilitator (RF), or contact Manager, Partnerships Project directly for help
- Partnerships can provide details about the form of contract, and/ or meet with the PI and industry sponsor if necessary

Partnerships – Getting Started on the Contract

We assign a Contracts Specialist to work with you at the Finalize Funding Documentation stage.

1. Start negotiations with industry sponsors after receipt of NSERC's conditional notice of decision

   - Default position
   - Must provide NSERC with a copy of the fully executed contract with industry sponsors within 6 months of the NOD
   - Industry account set up without Indirect Cost Recovery (ICR)

2. Start negotiations after the PI has submitted an NSERC application but before the NSERC decision is known

- Let your Research Facilitator (RF) know if you wish to proceed in advance of the NSERC decision, so we can assign a CS
- Usually done with the industry sponsor will fund project in full or in part, even if NSERC declines to participate
- Industry contract may require an end date amendment to line up with NSERC award term
- RSO will not assess Indirect Cost Recovery (ICR) at account set up, but if NSERC declines, ICR will apply retroactively

3. Start negotiations before NSERC application submitted

- Mostly applies to CRDs
- PI will need to provide clear scope and budget
- ICR will apply from the start
- If NSERC funds the CRD, finance will reverse ICR for eligible expenses

Strongly encourage development of NSERC application before negotiating the industry sponsor contract to avoid delays and ensure CRD is the right vehicle for the project!

See UAPPOL for Financial Management and Practices Policy/ Application for Indirect Costs Recovery Rate Procedure

Contract Considerations – NSERC Policy

NSERC now requires ALL co-applicant institutions and all industry sponsors to be on the same contract, with few exceptions:

- This is a **process change** that came to our attention in 2017
- Sponsors who are only providing **in-kind** will now be added in the majority of cases
- **Other government sponsors** (ex: Alberta Innovates) who are acting only as a funding agency (i.e. not collaborating in the research, only providing cash) *may* not have to be on the same contract as industry sponsors

Biggest impact is to **subgrants**

Old process: UAlberta entered into subgrants with Co-applicant institutions *after* executing the prime conrract with industry sponsor(s)

As a result of the changes:

- If not already set out in sufficient detail in the NSERC application, PI needs to provide RSO with appropriate scope and budget for each co-applicant at the time of industry sponsor contract negotiation.

- Expect to see more multi-party negotiations, which can sometimes cause delays in getting started. (More drafting opinions!)
- PI's signature on RSO's Agreement Acknowledgement report for the all-party contract will act as authorization for RSO to pay any industry funds to the co-applicant as set out in the contract.
- Note: if any NSERC funds are also flowing to the co-applicant, NSERC requires the PI's signature on a transfer letter in order to send the funds. RSO will prepare such a transfer letter for signature.

NSERC requires that industry sponsor contracts funding NSERC CRD and IRC awards to have some specific terms and conditions within the contract.

NSERC's Policy on Intellectual Property includes these mandatory elements:

- Timeliness of exploitation
- Confidential Information
- Research results cannot be secret
- Academic progression
- Rights for future research and teaching

http://www.nserc-crsng.gc.ca/NSERC-CRSNG/Policies-Politiques/ip-pi_eng.asp
http://www.nserc-crsng.gc.ca/NSERC-CRSNG/Policies-Politiques/Clauses_Clauses_eng.asp

Understanding NSERC Intellectual Property (IP) policy will inform your discussions with industry and co-applicants at the Develop and Submit Proposal stage.

Examples:

- Timeliness of Exploitation:

  - UA standard is to grant an option to the sponsor(s) to obtain a license to use any patentable IP. Or, we can grant non-exclusive license from the start.

  - If sponsor wants assignment of IP or an exclusive license granted from the start, we must also include language to revert the IP back to the University, if sponsor does not exploit the IP in a timely manner.

- Confidential Information (CI): we have clauses to protect CI that still recognize the collaborative nature of CRDs and IRCs. However, consider whether the sponsor is comfortable with fundamental nature of the project/ program – might be more suited to a service agreement.

- Research Results cannot be secret: the maximum delay for publication (to apply for a patent or to remove sponsor confidential information) is six months. The NSERC policy is more strict than UA policy.

- Academic progression: there can be NO delay for defense of a student's thesis (may be held in-camera). The NSERC policy is more strict than UA policy.

- Rights for future research and teaching: UA standard is to include appropriate clauses to achieve this in all CRD and IRC contracts.

Other Unique NSERC Elements:

Benefit to Canada:

- must be specifically mentioned in the contract

Matching:

- May affect timing of negotiations and budget development
- For a CRD, NSERC will match expenses incurred up to three months from the Application submission date.
- For an IRC, NSERC will match expenses incurred from the Application submission date.

Contract Considerations – Negotiation Strategy

- Early, frank discussions with industry sponsor(s) and co-applicants make contract negotiation easier and faster
- Discuss needs for IP (background and foreground) and commercial use (note: Right of First Refusal vs. Option to License)
- Payment structure – UA prefers upfront or annual payments; other structures may impact cash flow to co-applicants
- Control of process – teamwork between CS and PI

Amendments

1. PI contacts industry sponsor(s) to confirm they agree in principle to the requested change

2. PI contacts NSERC Program Officer for approval of the change

- Where additional time and funds are requested, PI will need to provide NSERC with revised budget, justification and project scope (incl. methodologies and milestones).

- RSO will also need these documents from the PI, to insert into the industry contract amendment.

3. Contact RSO (include backup documents) to effect the change

- Industry account: in most cases RSO will need to sign a formal amendment to the contract
- NSERC account: we need written confirmation from NSERC

Note:

- Most often, NSERC requires a copy of the executed industry contract amendment before issuing formal approval. RSO will work with industry and then forward the executed amendment to NSERC Program Officer.
- Occasionally, NSERC will agree to a simple change (brief end date extension) w/o copy of industry amendment

Research Administration Process: Managing Funding

The next set of slides focus on activities that arise *after* we finalize the funding documentation (industry sponsor contract and the NSERC grant.)

Key Activities – Principal Investigator

Progress reports – are the responsibility of the PI

Amendments – are typically initiated by the PI with NSERC and the industry sponsor

20% budget variance

- PI's are required to manage their budgets such that any $$ variance greater than 20% in EACH category requires approval from NSERC in advance
- This variance requirement is also very key when it comes to categories of HQP and # of HQP in the approved budget

Parallel spending

- NSERC CRD funds is matched to industry in-kind and cash - so it is expected that the funds are spent between the industry funds and NSERC funds proportionally. ex: do not spend all of the NSERC $$ in the hopes of having the residual industry $$ to spend at a later date.
    - NSERC does not expect that the funds are to be spent equally throughout the life of the project but the end result needs to reflect this. The danger is that if the project is terminated early then spending will need to be adjusted as noted

Key Activities – Principal Investigator

Manage Spending

- To ensure projects are not over-expended (OE) before next installments -- OE authorizations not permitted on NSERC CRDs and IRCs *unless* PI explains reason for variance in advance w/ NSERC and obtains NSERC's approval
- Review Researcher Home Page – Financial report to ensure funds are received from your industry sponsors (see slides further on)
- Continue to meet your obligations as set out in the executed funding contract (milestones, scope, eligible expenditures)

Use funds for the approved project only, transferring expenses between awards is not appropriate use of funds (See new Salary Benefit Adjustments policy). Talk to your RSO RF or CS if there is a need to spend funds in advance of an executed contract

If the sponsor's representative contact information changes, please provide us the current information so RSO can update their records.

Key Activities – RSO Finance

PIP finance will:

- Activate the Project speed code(s) once the contract has been executed with the agreed upon Start and End dates and reporting milestones
- RSO is responsible to produce consolidated financial statements for PI's review and sign off, for both NSERC and industry sponsor (if required)
- Upon approval from PI's arrange subgrants payments (receipt of funds from the sponsor must be in place before funds can be transferred). OE authorizations are not permitted on NSERC CRD/IRC awards if industry funds have not been received.
- Working with the PI – RSO will follow-up on accounts receivables (AR) (60,90,120 days)
- produce final financials and return of unspent funds; close accounts

Key Activities – RSO PIP Management

- PIP management will work with PI/ Dept/ Faculty in the case of a sponsor payment default or early termination of project

RSO – PIP: Industry outstanding Accounts Receivables

RSO Invoices the sponsor and will copy in the PI on all invoices – according to the executed agreement schedule (*note: only on CRD/IRC industry matched awards as there are over 8000 active projects at the UA)

RSO will follow up with the industry sponsor (copying in the PI) at 60* days noting that the funds are matched to an NSERC award and the non payment could affect the NSERC contribution

RSO 90 day follow-up copying in PI, Chair and ADR

RSO 120 day follow – email sponsor, cc'ing PI, Chair and ADR to notify that project will be inactivated within 60 days if not paid.

**Caution – IF your industry sponsor is not paying – could it be because the project is not moving along as expected (notify RSO), or that they do not have sufficient funds to pay their obligations? If the latter is the case – we recommend you withhold any further progress reports until the outstanding AR is paid

RSO – Managing Future Funding Concerns w/ Industry Sponsors

- If an industry sponsor has been delinquent on previous scheduled payments, we will then adjust the Projects so that budgets only go in once an invoice issued rather than upfront annually.
- The industry sponsor will only have 60 days to pay an invoice; after 120 days, RSO will advise the PI that the project account will be shut down if not paid within 60 days.
- New awards with that same industry sponsor: no budget will be provided to the PI until we receive initial payment from the industry sponsor

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FISCAL YEAR 2017

Research Revenue $513M

Applications Reviewed 2,689

Active Research Projects 8,312

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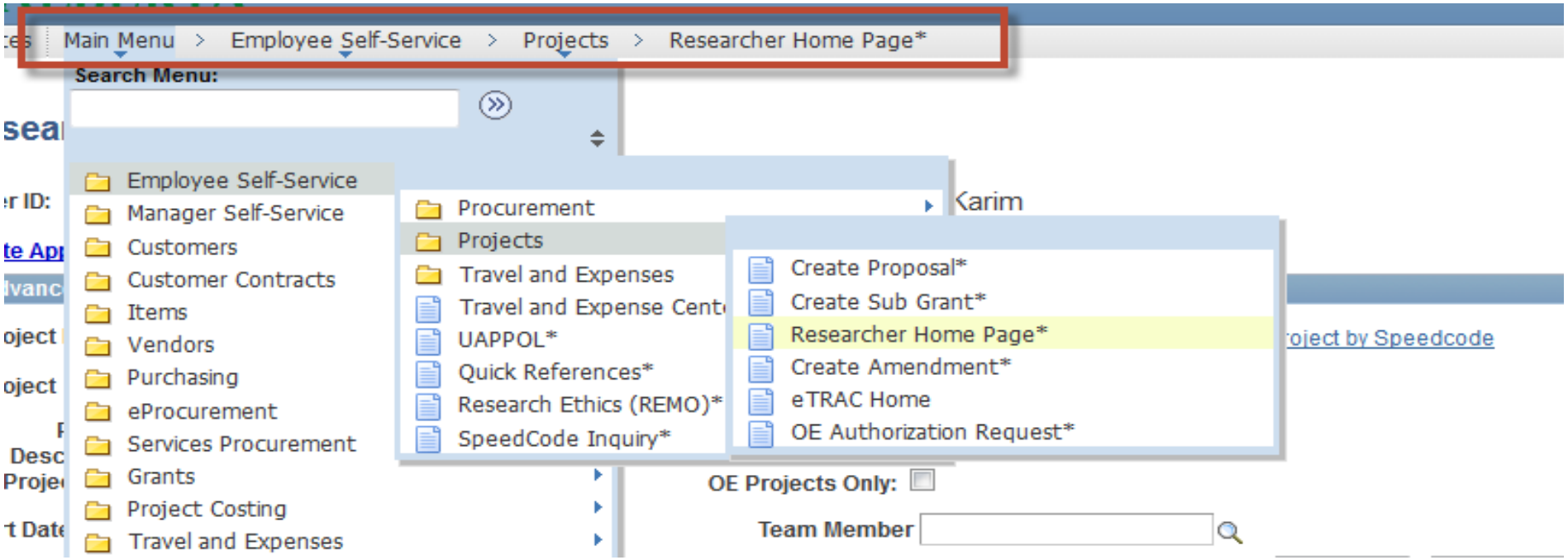
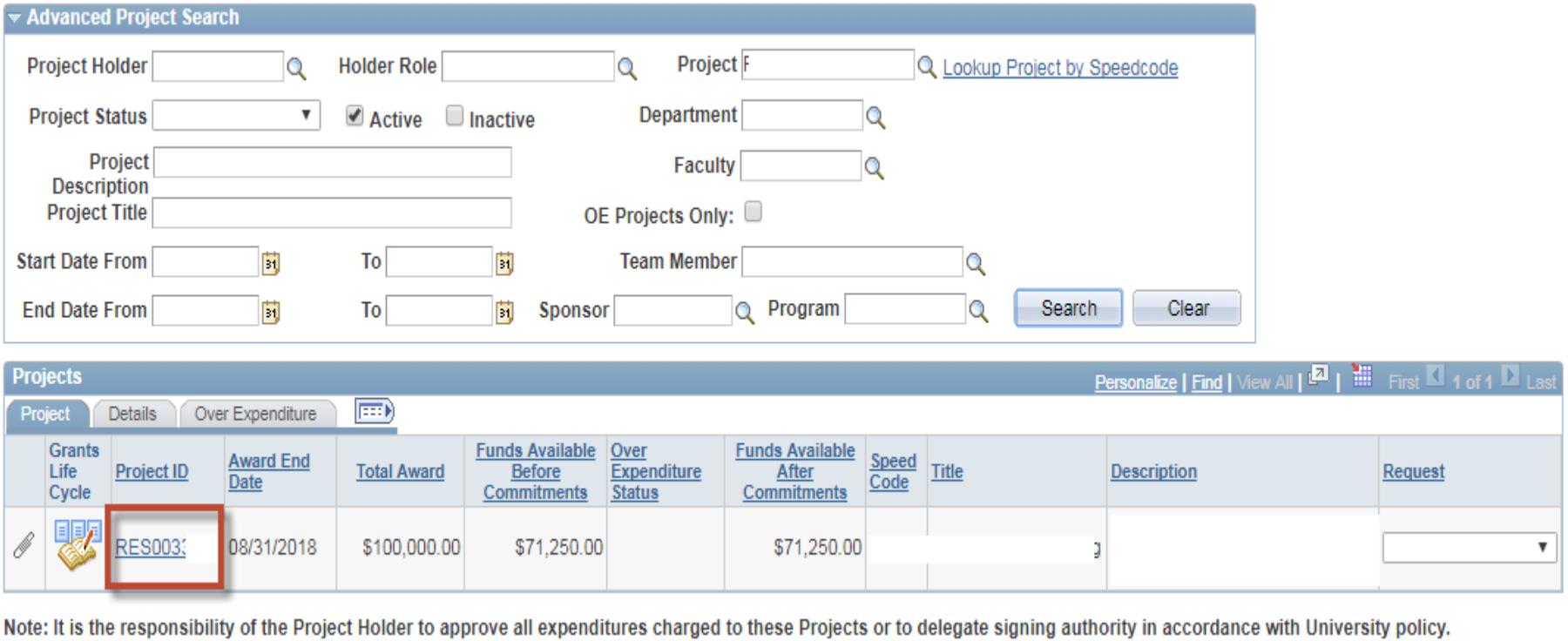
Inquire on general self-service activities.
SpeedCode Inquiry*
PER Balance Inquiry*
Researcher Home Page*
eTRAC*
Procurement
Create requisitions and view procurement activity and status.
PO Inquiry
Voucher Inquiry

Researcher Home Page – Where can you view OS/AR

Navigation to Researcher home Page:



Researcher home Page:



Note: It is the responsibility of the Project Holder to approve all expenditures charged to these Projects or to delegate signing authority in accordance with University policy.

- To review the financial report and outstanding A/R, click on project ID located in the red box

Financial Overview:

Project:

Holder:

Department:

Sponsor:

Program:

SpeedCode:

Project Type: RSBUD
Status: Past End Da
Start Date: 03/01/2014
End Date: 06/30/2017
Award Ref Num:
Award PI:
OE Status:

Awarded Amounts

Award Period	Budget Start Date	Budget End Date	Direct Cost	Included in Funds Available	Indirect Cost	Total
1	03/01/2014	02/28/2015	0.00		0.00	
2	03/01/2015	02/29/2016	129,720.00	✔	0.00	129,720.00
3	03/01/2016	02/28/2017	0.00		0.00	
4	03/01/2017	06/30/2017	0.00		0.00	
99	07/01/2017	07/13/2017	0.00		0.00	
			129,720.00		**0.00**	**129,720.00**

Award and Expense Summary for the period: 07/01/2017 - 07/13/2017 Expenditure Details

Opening Balance / (Over Expenditure) as of 07/01/2017	$7,058.82		
Direct Cost Budget			
Funds Available before expenditures (A):		**$7,058.82**	
Expenditures			
Salaries and Benefits-BL	$8.10		
Supplies and Other-BL	$4,291.45		
Travel-BL	$100.68		
Total Direct Expenses (B)		**$4,400.23**	
Funds Available before Indirect Costs as of 07/13/2017 (A-B):		**$2,658.59**	
Plus indirect cost budgets to date			
Less indirect expenses to date			
Indirect costs remaining to date (C)			
Funds Available after Indirect Costs as of 07/13/2017 (A-B+C):		**$2,658.59**	

Past Due (unpaid) Invoices: Invoice #: UA210 $13,000.00 Due: 07/30/2017 (120 days past due)

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Invoice Detail:

Past Due (unpaid) Invoices:	Invoice #: UA210	$13,000.00 Due: 07/30/2017	(120 days past due)

Return to Researcher Home Page*

View Printable Version

Take Away

NSERC CRDs and IRCs are matching programs with inherent complexity, so please contact us if you have any questions or concerns.

We are here to help you through the maze of negotiations and with overall management of your project award.

Partnership and Institutional Projects team contacts:

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PIP team contact list:

https://www.ualberta.ca/research/services/about/contact-us