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| Complete Policy Title:<br><b>Research Accounts Policy</b>   | Policy Number (if applicable):<br><b>n/a</b>   |
| Approved by:<br><b>Ilene Busch-Vishniac, Provost and V-P (Academic)</b><br><b>Roger Coudrey, Interim V-P (Administration)</b><br><b>Mo Elbestawi, V-P (Research and International Affairs)</b><br><b>John Kelton, Dean &amp; V-P (Faculty of Health Sciences)</b> | Date of Most Recent Approval:<br><b>August 4, 2009</b>   |
| Date of Original Approval(s):<br><b>n/a</b>   | Supersedes/Amends Policy dated:<br><b>April 18, 1990</b><br><b>Budget Control Policy – Research Accounts</b> |
| Responsible Executive:<br><b>Vice-President, Research and International Affairs</b>   | Enquiries:<br><b>Research Finance or Health Research Services</b>  |
| <b>DISCLAIMER:</b> <i>If there is a Discrepancy between this electronic policy and the written copy held by the policy owner, the written copy prevails</i>   |  |

## 1. INTRODUCTION

The University generates substantial external research income through a combination of research grants plus research and service contractual agreements secured by its faculty members as individuals or groups or through institutionally formalized Institutes or Centres, which may involve other academic institutional partners, from various sources including Federal, Provincial, Private Sector and Not-for-Profit sponsors. In addition, the University may invest independently or on a cost sharing basis with external sponsors in specific research initiatives.

The purpose of this policy is to document requirements with respect to the use of research funding and the shared responsibility of the account holder, the Department Chairs, Directors of Institutes or Centres and the University in the effective management and accountability for research funds, whether the source is internal and/or external. All funding deemed to be research must be administered in the research ledgers.

Research is comprised of research activity and research related activity and definitions are as follows:

- **Research Activity** – The investigation or experimentation aimed at the discovery or interpretation of knowledge, the systematic collection or revision of knowledge in light of new facts or theories, the development and application of methodologies to increase knowledge and the practical application of knowledge to specific problems or circumstances.
- **Research Related Activity** – Activities closely related to research. Examples include but are not limited to testing and evaluation; the collection and manipulation of data; writing, editing or translating; and the communication and/or discussion of research results, including the organization of meetings.

See appendices for further detail:

Appendix A - Determination of a Research status

Appendix B - Research vs. Operating Activities

Appendix C - Types of Research Agreements

## 2. MANAGEMENT AND CONTROL RESPONSIBILITIES

The responsibility for effective management of the research accounts established for these funds is shared by the research account holder, Department Chairs and senior officers. All research accounts are subject to both internal and external audit.

Research Services is responsible for the provision of guidance and support to the McMaster community, and for the administration of research budgets. FHS Research Finance is responsible for research accounts in the Faculty of Health Sciences, and the Office of Research Services (ORS) is responsible for all non-Health Sciences accounts.

## 3. BUDGET ADHERENCE

Research budgets, whether related to grants, contracts or other agreements, are determined in accordance with the rules and regulations of the funding sponsor(s), together with those of the University. Research grants may or may not provide definitive budgets. For many Federal Agencies' programs expenditures may be at the discretion of the grantee within a specific framework of eligible expenses. Other sponsors may apply specific budget terms and conditions, such as, deviation limitations; fixed budget line-items, carry-forward privileges or mandatory return of residual funds, or disallow specific types of expenditures. Unless otherwise agreed to or negotiated prior to acceptance of the funds, sponsors' policies and regulations take precedence over the University's. In the event an external sponsor allows residual funds to be retained by the account holder, these funds must be used only for research purposes and are governed by University policies.

Research funding terms can vary, dependent upon the sponsor(s), their funding programs and/or whether or not the funding is programmatic or project specific. Many research program grants have built in renewal processes; while research contracts and project specific support normally are finite.

## 4. PREREQUISITES FOR OPENING AN ACCOUNT

The following documents must be on file in the respective research office:

- Institutionally endorsed application
- Sponsor's notice of award and/or institutionally executed agreement, if applicable
  - Agreement must be signed by authorized University representative(s) in accordance with the Execution of Instruments found at:
  - <http://www.mcmaster.ca/univsec/bylaws/BoardBy-laws.pdf>
- Evidence that terms and conditions of award have been accepted and/or met
- Original signed accountholder's responsibilities form
  - Periodic update required, at least once every five years

Exceptions require the authorization of the relevant research administrative office, Office of Research Services (ORS) or Health Research Services (HRS), taking into account financial risk factors.

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## 5. RESPONSIBILITIES

- **Account holders** may spend research funds only up to the amount of grant or contract awarded and are responsible for:
  - Reading, understanding and complying with all applicable University and Sponsors' policies, regulations, terms and conditions of award and that the funds are only used for the purposes intended
  - Budgeting their funds to ensure that deficits are not incurred. If external funding of a research program is discontinued, to propose a plan whereby any outstanding financial commitments can be covered – this will require personal responsibility if all other alternative sources have been exhausted
  - Authorizing all expenditures charged against their account(s) and/or ensuring formal delegates of said authorization are informed of applicable sponsor(s) and University requirements and their associated responsibility for compliance
  - Reviewing monthly account statements to identify discrepancies and/or problems and to take corrective action in consultation with the ORS or FHS Research Finance office as applicable
  - Reimbursing applicable research account(s) for any expenditures charged to the account under his/her or delegate authorization that are disallowed by the sponsor
  - Producing research deliverables in accordance with the terms and conditions of the funding to ensure funds are received
  
- **Department Chairs** are responsible for:
  - Approving travel expenditures incurred by the account holder as outlined in the Travel Expense Policy
  - Approving, in advance, commitments made by account holders for salaried personnel, such as, research associates, research engineers, technicians, visiting scholars, as well as postdoctoral fellows and graduate students – this approval is important not only in terms of budget control but also to ensure that McMaster Human Resource Policies are being adhered to and that the appropriate research space is available
  - Ensuring that account holders do not over commit their available funds for graduate students, postdoctoral fellows, research staff, bearing in mind that these same funds must also cover necessary equipment, travel, supplies and services
  - Reviewing summary of research accounts to ensure the account holder is not overcommitted
  - Assisting the ORS and FHS Research Finance Office with the resolution of issues related to the research account

- The **University** is responsible for:
  - The establishment and maintenance of policies, systems, and procedures to facilitate the management of research accounts by account holders
  - The implementation of adequate controls for monitoring research account expenditures and to ensure compliance with the sponsor(s) funding terms and conditions and the sponsor(s) and University policies and procedures
  - Ensuring professional financial management practices are employed
  - Financial statements and records are accessible and available for audit
- **Senior Officers**, that are defined as the Vice-President Research and International Affairs (VP,R&IA); Associate Vice-President, Research (AVP,R); and the Dean & Vice-President, Faculty of Health Sciences (VP,FHS) are responsible through the Executive Director, Research Services and/or Director of Finance, Faculty of Health Sciences, for:
  - Monitoring research accounts for transactional eligibility, compliance and availability of funds
  - Providing guidance, advice and support to account holders in the financial management of their accounts, including prevention, reporting and elimination of over expenditures
  - Communicating with the account holders, Chairs and Deans, as appropriate, when deficits seem likely
  - Timely financial reporting to sponsors

And have the authority to:

- Withhold authorizations of staff appointments, purchases and expense reimbursements in order to effect budget control and policy adherence
- Allow an account holder to overdraw a research account, on a case by case basis, subject to the completion of an "overdraft form outlining a viable financial plan for the elimination of the proposed overdraft, accompanied supporting rationale, for consideration and approval by senior officers, and underwritten by his/her Chair

## APPENDIX A - DETERMINATION OF A RESEARCH FUNDED PROJECT

Research and experimental development comprises:

- Original investigation undertaken in order to gain and exchange knowledge and understanding
- Creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of humanity, culture and society, and the use of this stock of knowledge to devise new applications, rather than the application of existing knowledge
- Any activity classified as research and experimental development is characterized by originality; it should have investigation as a primary objective and should have the potential to produce results that are sufficiently general for humanity’s stock of knowledge (theoretical and/or practical) to be recognizably increased

Research includes pure basic research, strategic basic research, applied research and knowledge exchange. The following factors, which may be present in differing degrees, should be considered when determining if funding is research or operating.

| Research   | Operating  |
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| Sponsor’s intent is to contribute to creation of knowledge   | Sponsor is paying for costs of service or administration                           |
| Sponsor imposes restrictions on spending, e.g. <ul style="list-style-type: none"> <li>• Allowable expenditures</li> <li>• Financial reporting</li> <li>• Term</li> <li>• Disposition of remaining balance</li> </ul> | Sponsor does not restrict the use of funds   |
| Activities are aimed at creation and/or dissemination of new knowledge   | Activities consist of standardized testing and reporting using established methods |

Research can be funded from external and/or internal sources. If funding is deemed to be internal, refer to the Internally Sponsored Research (ISR) Accounts Policy (<http://www.mcmaster.ca/ors/forms/formsISR.pdf>).

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## APPENDIX B – RESEARCH VS. OPERATING ACTIVITIES

### Activities meeting the definition of research:

- Provision of professional, technical, administrative or clerical support and/or assistance to staff directly engaged in research and experimental development
- Management of staff who are either directly engaged in research and experimental development or are providing professional, technical or clerical support or assistance to those staff
- Activities and supervision of students undertaking postgraduate research courses
- Creation, development and maintenance of the intellectual infrastructure of subjects and disciplines, in forms such as dictionaries, scholarly editions, catalogues and contributions to major research databases
- Invention and generation of ideas, images, performances and artifacts including design, where these lead to new or substantially improving insights
- Use of existing knowledge in experimental development to produce new or substantially improved materials, devices, products and processes, including design and construction
- Development of postgraduate research courses
- Research and experimental development into applications software, new programming languages and new operating systems

### Activities that do not meet the definition of research:

- Preparation for teaching
- Feasibility studies (except research and experimental development projects)
- Routine computer programming, systems work or software maintenance
- Commercial, legal and administrative aspects of patenting, copyright or licensing activities
- Sale of products – biochem, books, working papers – even if profits go to research
- Fundraising

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## APPENDIX C – TYPES OF RESEARCH AGREEMENTS

- **Clinical Trial Contracts** – Funds provided by industries, government or other sponsors for any or all of the development, conduct or evaluation of clinical trials including early developmental trials (Phase I and Phase II) as well as pre-marketing and post-marketing trials (Phase III and Phase IV) for assessment of pharmaceutical, biologic and other clinical interventions, such as the development of equipment, prostheses, biomedical devices, etc.
- **Consulting Contracts** – Funds provided by industry, government, or other sponsors to an individual investigator as a private arrangement with no use of University or Hospital space, equipment or facilities (in absence of space/equipment rental contracts) and with no involvement of staff or faculty during normal working hours and with no use of University or Hospital name, intellectual property or letterhead. This is not within the scope of the Research Accounts Policy. Please refer to the “Statement on Consulting Policy and Procedures” (<http://www.mcmaster.ca/senate/hrfaculty/stmoncon.htm>)
- **Grant-in-Aid** – Funds provided by industry, government, or other sponsors in support of the general research activities of an individual researcher or group of researchers for which the sponsor does not receive or expect specific results; where no rights in inventions or other intellectual property accrue to the sponsor; and where there are no restrictions on use of funds or publication of results
- **Research Agreements** – Funds provided by industry, government, or other sponsors in support of research projects of an individual researcher or group of researchers. The terms and conditions may be grant and contractual in nature and, as such, is a hybrid. For example, inventions or other intellectual property may be retained by the University, however, funding is subject is contingent upon achievement of milestones and encumbered funds released upon completion and acceptance of the sponsor’s audit
- **Research & Development Contracts** – Funds provided by industry, government, or other sponsors, for which specific results or developments are expected with work to be defined by the sponsor, investigator, University or Hospital, e.g. Ontario Centres of Excellence
- **Service Contracts** - Funds provided by industry, government or other sponsors for analytical, testing, or other services requiring little conceptual input or value added by University or Hospital; with rights to intellectual property provided by the sponsor for analysis or evaluation remaining with the sponsor; and with confidential information provided by the sponsor
- **Space/Equipment Rental Contracts** – Funds provided by industry, government or other sponsors under a business arrangement for the rental of institutional space or equipment with no rights in intellectual property provided
- **Internally Sponsored Research Agreements** – Funds transferred within the university from internal sources such as operating, overhead and/or practice plan monies as well as others – given that the source of funds is internal such accounts are classified as Internally Sponsored Research (ISR)