

INDIRECT COSTS PROGRAM

THIRD-YEAR REVIEW OF THE INDIRECT COSTS PROGRAM

MANAGEMENT RESPONSE

Canada



GENERAL COMMENTS

In its third year of operation when the mid-term review was carried out, the Indirect Costs program was deemed important and timely by all institutions. The majority of the issues discussed in the review report deal with concerns about the government expectations of institutions in terms of incrementality, reporting requirement, and the stability of funding. Program management believes that these issues should continue to be addressed within the existing mandate and authorities for the duration of the current term of the program.

RECOMMENDATION 1

Retain the existing delivery model.

RESPONSE

Management supports this recommendation. The current delivery model provides for a clear definition of institutional eligibility, responds to institutional performance, allows for a consistent interpretation of eligible expenditures, and ensures the centralized implementation of a reporting strategy. It is efficient in terms of program delivery costs and responds well to the program objective of helping smaller Canadian postsecondary institutions develop and strengthen their research capacity. Management will also maintain the requirement that parent and affiliated health institutions formalize an agreement prior to the release of program funds. Given the variety of affiliation agreements submitted to the secretariat, management will provide sample agreements in a Best Practices Guide to help institutions develop their own (see recommendation 6). Further analysis of alternative delivery models will be conducted as part of the sixth-year evaluation of the program when more data is available on program outcomes.

RECOMMENDATION 2

Clarify government expectations of institutions and the program in terms of incrementality.

RESPONSE

The existing definition of incrementality (the sustenance of the existing research enterprise in spite of the increased demand on an institution's resources, and the generation of improvements, efficiencies, and innovations in its management) was discussed with officials of Industry Canada, the Treasury Board Secretariat and the Department of Finance. While universities are encouraged to cover some new expenditures with their grants, there is also the realization that existing costs will continue to rise and will require ongoing funding. With this understanding, the current definition is therefore deemed appropriate.

RECOMMENDATION 3

Revise institutional reporting requirements.

RESPONSE

To maintain their eligibility to receive funds, post-secondary institutions provide annual outcomes reports which describe how the program objective is being met, and annual statements of accounts, outlining the disposition of funds. Management will revise the indicators used in the annual reporting forms to ensure that there are logical linkages between them, the expected outcomes of the program, and what institutions are tracking in their regular course of business. The qualitative reporting form (Outcomes Report) is being revised to reflect these new indicators, to be more probing and to seek more specific information. Annual reports will also provide data which demonstrate the definition of incrementality (see Response to recommendation 2). The new reporting form will be available in April 2007 for the 2006-2007 reporting period.

A new staff position will have responsibility for implementing a performance management strategy for the Indirect Costs program (and also for the Canada Research Chairs program). The incumbent will ensure that controls are in place to verify the quality and reliability of outcomes data, design relevant data collection tools, as well as conduct complex internal analyses of the data that will feed into management decisions and be used in the continuing assessment of the program.

Reporting requirements are being streamlined for institutions receiving grants of \$25,000 or less. These institutions (approximately 40), will maintain their eligibility status by submitting the annual financial report (form 930) only and by agreeing to periodic monitoring exercises.

RECOMMENDATION 4

Establish a specific rate of indirect costs (higher than the 2003-2004 rate) in order to ensure a stable funding level.

RESPONSE

Using the current formula for grant calculations makes it impossible to determine a single fixed rate. Consequently, larger institutions are seeing an erosion of the funding rate relative to their agency grants. Unless there are significant increases to the program budget, management will continue to apply the current formula and will not propose adjustments to it. Management will however continue to work to ensure that indirect costs funding reflects more accurately the granting agencies funding increases.

RECOMMENDATION 5

Monitor the changes in funding by provinces and implement a mitigation strategy to address the risk of redirecting monies.

RESPONSE

Management recognizes that there have been reductions in provincial government funding for indirect costs since or due to the introduction of the federal Indirect Costs program. However, since the program design did not include formal agreements with the provinces to retain pre-2003 levels of support for the indirect costs of research, management has neither the tools nor the authority to implement a mitigation strategy. Notwithstanding, universities are encouraged to work with program management and with provincial governments to ensure that the academic research enterprise is appropriately and adequately supported.

RECOMMENDATION 6

Develop a best practices guide to document exemplary use of program funds among institutions.

RESPONSE

In consultation with institutions, CAURA, CAUBO, AUCC, and the Finance divisions of the granting agencies, management will develop and publish a Best Practices Guide by June 2006. This guide will provide advice and direction on the program's implementation at the institutional level, examples of request forms which explain clearly how an institution plans on spending its grant and examples of Outcomes Reports which document well the use of program funds. The guide will also include key factors in developing satisfactory agreements between parent and affiliated health research institutions, examples of agreements (see recommendation 1), and guidelines for institutions to use in preparing for agency monitoring visits.

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