



**SIMON FRASER UNIVERSITY**  
**Policies and Procedures**

**Date**  
November 25, 1999

**Number**  
AD 3.13

**Revision Date**  
February 1, 2007- Appendix A  
July 25, 2013 – Appendices B and H

**Revision No.**

## **Service Contracts**

### **1.0 Policy**

In each of the areas of Simon Fraser University's three main missions - teaching, research and service - there are opportunities to enter into contractual relationships with external governmental, commercial, and other non-governmental entities, where these relationships are consistent with the goals and standards of the University. These have the potential to provide revenue to the University, but also expose the University to liability. In all cases, it is essential that there be clear policy in place to guide the formation of such relationships, the use of University

proprietary rights to the results; laying out the financial regimen to be followed; and other restrictions required by the Sponsor. There is the normal expectation of some deliverable(s) flowing to the Sponsor.

**Sponsor** - the external party that provides funds for the performance of services under a contract.

**Principal** - a person authorized to perform work under the contract, who is responsible for the project. The Principal must be an employee of the University whose term of appointment is expected to span the term of the contract.

**University Resources** - these include but are not limited to: office and laboratory space, teaching and research equipment, facilities and services such as the Library, University computing network and systems, the Animal Care Facility and the Instructional Media Centre.

**International Activities** - these include but are not limited to activities that involve provision of services outside Canada, or involve a partner organization outside of Canada, or involve provision of services to individuals and/or organizations from outside of Canada.

#### 4.0 Procedures

A proposal to enter into a service contract may be initiated by any employee of the University. Approvals to pursue the proposal further must be obtained from that person's immediate supervisor and all his/her supervisors up to the level of the person with the authority to approve the final contract on behalf of the University. This authority is specified, with respect to the dollar amount of the contract, by the Signing Resolutions of the SFU Board of Governors. These are described in **Appendix A** to this Policy and may be changed from time-to-time by action of the Board of Governors. In addition, when proposals include international activities, the proposal must be submitted to the SFU Senate Committee on International Activities (SCIA) for review and must receive the approval of the Vice-President, Academic. Refer to SFU Policy GP-23 - "University Policy on International Activities." Any disagreement over whether the work under the contract comprises research or service will be resolved jointly by the Vice-President, Academic and the Vice-President, Research; if this is not possible, the question will be referred for resolution to the President.

In order to receive final approval, the final form of a service contract must receive the approvals of all the persons mentioned in the preceding paragraph. **Appendix H** to this Policy has a link to the Final Approval Form. To receive final approval, it must normally satisfy all the following criteria:

1. There must be a clear statement of the work to be performed, including deliverables and the schedule on which these must be provided;
2. There must be an itemized budget containing all sources of income for the project and all areas of expenditure. Explicit recognition of all the costs, both direct and indirect, must be included under "expenses." In specific cases, for specific reasons, some of these costs may be contributed by the University; in these cases, specific recognition of such contributions must be included under "income;" sample budgets are available through the office of the Vice-President, Academic;
3. There must be a schedule of payments, including the criteria for payment (e.g. milestones; reports) and means of initiating payment (e.g. prepayment, invoices);
4. There must be a clear description of reporting requirements, both financial and with respect to the performance of the work, which includes specification of the person or unit responsible for generating and transmitting the reports - if Financial Services would be required to generate or file reports, their approval of the terms of the contract must be obtained;
5. There must be provision in the contract for recognition of the indirect costs (overhead costs) of providing the services indicated at rates that are consistent with those given below under Guidelines;
6. There must be specification of the term of the contract and the period during which the work will be performed - these may differ;

7. There must be provision for early termination of the contract that clearly specifies the conditions under which this may occur and the consequences for all parties;
8. There must be provision for modifications to be made to the contract, preferably without reconsideration of the entire contract;
9. Normally persons employed under the contract will be University employees. In exceptional circumstances, other arrangements may be appropriate. To determine the appropriate procedures to follow, the Principal should contact Human Resources prior to signing of the proposed contract. For persons employed under contract as employees of the Principal, refer to Appendices C and D to this Policy for sample employment letters and **Appendix E** for a statement of the responsibilities and obligations of the Principal as an employer;
10. There must be provision for the disposition of intellectual property (IP) created in the course of performing the contract;
- 11.

Contracts involving Research Centres and Institutes established under SFU Policy R40.01 must receive approval of their Administrative Officer in addition to the other persons described in the first paragraph of this section.

A checklist of contract terms and conditions is provided in **Appendix B** to this Policy for the guidance of persons proposing contracts.

Work under a proposed contract must not commence until the contract receives final approval by the sponsor and by the University, as described above. The only exception to this is when an explicit, firm commitment to cover all costs and liabilities associated with an earlier start is made by the person with the authority to approve the final contract on behalf of the University, as described in the first paragraph of this section. In such a case, a copy of the current draft contract, including budget, reporting and billing requirements, the account to which expenses will be charged if the contract is not approved ("back-up account") and a Pre-Approval Financial Guarantee Form (copy attached as **Appendix F**) must be sent to Financial Services for review. If the draft contract appears to contain reasonable financial terms, Financial Services will set up a new account and expenses may be charged to that account. This preliminary approval will not imply approval of the terms of the final form of the contract. Financial Services may set a time limit within which the contract must be finalized. Note that the final contract may contain a date of commitment which could restrict the period within which expenses can be incurred. In this case, the contract account may not normally be charged for work done prior to the start date and the back-up account would be charged any such expenses.

## 5.0 Contract Terms

Direct costs include the value of the time of SFU employees and/or the cost of replacing these employees, as appropriate. The budget of the contract should include explicit reference to these costs and to all other direct costs such as space rental, provision of managerial services, equipment maintenance and materials and supplies.

Normally, overhead rates will be set at 40% of total direct costs for on-campus work and at 20% of total direct costs for off-campus work. Overhead on contracts that involve a combination of on-campus and off-campus work will be set at a rate that reflects their relative proportions. Direct costs include the full value of the time of SFU employees (salary and benefits) and/or the full cost of replacing these employees, as appropriate.

Overhead may be reduced from the levels indicated above in consideration of other tangible benefits accruing to the University such as equity-holding or revenue-sharing agreements, or intangible benefits such as increased community profile. As noted above, such reduction in overhead comprises a contribution by the University and should be so recognized under both the revenue and cost sections of the contract budget.

The person with authority to approve the service contract on behalf of the University has the authority to negotiate with the external agency the terms of the contract, including payment schedules, reporting schedules and the amount of overhead charged. Authority to negotiate (but not to approve the contract) may be delegated. Unless other arrangements are made in advance with the responsible Vice-President, that person, in approving a contract on behalf of the University, assumes full financial responsibility through his/her office for assuring that overhead payments are adequate to cover the indirect costs, and for the University's liabilities from such factors as patent or copyright infringement and non-performance - including non-payment - on the part of the external agency. For this reason, it is required that all contracts be vetted by Financial Services prior to conclusion.

In cases where different units within the University are capable of providing the same or similar services, it is the responsibility of the person with the authority to approve a contract to make certain that adequate consultation has occurred within the University to ensure that the provision of the services under the contract is as efficient as reasonably possible and that duplication of effort is minimized.

With the exception of contracts that have a University-wide impact, all overheads realized from service contracts normally will be divided equally between General University Revenue and the initiating Faculty or equivalent unit; exceptions to this method of division require approval of the President. Contracts that have a University-wide impact will be reviewed by the Vice-President, Academic and the Vice-President, Finance and Administrative Services to determine the disposition of overheads, prior to final approval of the contract.

In cases of contracts involving foreign or other unusual settings, contract terms should take into account the specific cultures or modes of conducting business in those settings. Because there are additional costs normally associated with identifying, developing and delivering international activities, overhead rates are expected to be higher for international service contracts than for domestic ones. Guidelines for the financial conduct of international service contracts are contained in **Appendix G** to this Policy.





**Appendix E**

**Statements of Responsibilities**

**Responsibilities of the Principal Toward Persons Funded Through a Service Contract (Herein called "Contract Employees"),**

**As Employees of the Principal**



a.

## **Appendix G**

### **Guidelines for the Financial Conduct of International Service Contracts**

In general, the procedures and contract terms detailed in Policy AD 3-13 are appropriate and applicable to international as well as domestic activities. However, there are certain characteristics of international activities, including their cost, that require some special arrangements.

While the following guidelines apply to international activities, it is also recognized that exceptions should be

### **International Sale of Distance Education Courses**

Revenues from the international sale of distance education courses shall be allocated in two ways:

- a. An amount consistent with the University Copyright Policy (R30.01) will be paid to the course creator.
- b. The remaining revenues shall be applied to new program and course development in distance education, and to course re-development and revision.

### **Individuals Employed to Deliver International Services**

- a. No individual, on contract or engaged through direct employment with the University, shall normally receive financial benefit from participation in the University's international activities beyond their negotiated levels of remuneration.
- b. Exceptions may be permitted for faculty at the discretion of the University.

b.