Digital Research Alliance of Canada

Financial Management Guide (Rev. 2023.11.22)

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1. Introduction

1.1. About the Digital Research Alliance of Canada

New digital technologies are creating massive quantities of data at an explosive rate, which is having a profound impact on the capacity of Canadian researchers to generate and contribute research that will be critical to Canada's future. To embrace this new world of possibility, Canada must build and sustain a strong and vibrant Digital Research Infrastructure (DRI) ecosystem.

The Digital Research Alliance of Canada ("the Alliance") serves Canadian researchers, with the objective of advancing Canada's position as a leader in the knowledge economy on the international stage. By integrating, championing and funding the infrastructure and activities required for advanced research computing (ARC), research data management (RDM) and research software (RS), we provide the platform for the research community to access tools and services faster than ever before.

We have an ambitious mandate — to transform how research across all academic disciplines is organized, managed, stored and used. We work with other ecosystem partners and stakeholders across the country to help provide Canadian researchers with the support they need for leading-edge research excellence, research, innovation and advancement across all disciplines.

The Alliance is a non-profit organization and is funded by the Government of Canada.

1.2. Financial Management Guide

The Alliance's Financial Management Guide (FMG) details the eligibility requirements and policies and procedures for institutions to apply for funding and to manage their funded projects.

For specific programs, the Alliance may add, remove, or modify some requirements in the funding agreement it executes with the institution.

This document is structured along the lifecycle of a project, from application to award and post-award management.

2. Application stage

The Alliance issues funding calls, the form of which may vary according to the program and project scope. Regardless of the type of funding call, an application will require a budget that outlines **expenses** and **contributions**. This budget needs to be completed using the template provided as part of the funding call documentation.

2.1. Expenses

2.1.1. Eligible expenses

The Alliance adheres to the cost eligibility framework of the Canadian Foundation for Innovation (CFI).

The following table outlines the most common eligible expenses for two types of funding: operating and infrastructure. Additional details can be found here: Policy and program guide 2023 (innovation.ca).

Ref	Nature	Description	Operating	Infra structure
1	**Personnel**			
1A	Salaries	Salaries of scientific, professional, technical, and administrative personnel **directly** involved in the provision of DRI services (e.g., RDM, RS, or ARC operations, cybersecurity, research support, training) or the procurement, installation, configuration of infrastructure. This includes teams at the national, regional and local levels who are directly connected to supporting a DRI service identified in the national DRI strategy.	✓	✓
1B	Benefits	Benefits costs as charged by the host institutions, **up to a maximum of 22%** of eligible direct labour costs. This figure is aligned to the terms and conditions within the contribution agreement. It applies to all staff in line item 1A.	✓	✓

Ref	Nature	Description	Operating	Infra structure
2	**Equipment and infrastructure**			
2A	Digital research infrastructure and equipment	Including, but not limited to: ● Capacity or throughput computing. ● Capability computing supporting tightly coupled, fine-grained applications. ● Computing using specialized accelerators including GPU-CPU and others. ● Cloud computing. ● Shared memory systems. ● Systems supporting very large memory requirements. ● Storage (active and repository) that optimizes existing costs or provides capacity to the national research community to meet existing or imminent demand. ● High performance visualization systems. ● Systems suitable for computational steering and interactive use. ● Associated implementation costs.	✗	✓
2B	Communications infrastructure	Network infrastructure required to connect the research infrastructure and equipment to telecommunication and/or networking services. *These costs are mutually exclusive with the costs of a similar nature under CANARIE's responsibility.*	✗	✓
2C	Furniture	Furniture required to make work possible.	✗	✓
2D	Construction or renovation	Construction or renovation of space **essential to house and use** the infrastructure.	✗	✓
2E	Shipping, transportation and installation	Directly related to infrastructure and equipment, including brokerage fees, excise taxes and duties.	✗	✓

Ref	Nature	Description	Operating	Infra structure
3	**Maintenance and repairs**			
3A	Extended warranties	Extended warranties for infrastructure and equipment.	✓	✓
3B	Service contracts	Fees for services as specified in service contracts for infrastructure and equipment.	✓	✓
3C	Replacement parts	As required, to maintain operational capacity.	✓	✓
3D	Minor upgrades	As required, to maintain operational capacity.	✓	✓
3E	Supplies and consumables	Miscellaneous supplies and small items e.g., UPS, tape, cables, etc.	✓	✓
Ref	Nature	Description	Operating	Infra structure
4	**Services**			
4A	Consultants and contractors	Actual cost of consultants and contractors **directly** involved in the activities related to the provision of DRI services (e.g., RDM, RS, or ARC operations, cybersecurity, research support, training) or the procurement, installation and configuration of infrastructure.	✓	✓
4B	Software subscriptions and licenses	Monthly or annual fees for subscriptions and licenses.	✓	✓
4C	Commercial cloud services	Usage fees resulting from the use of commercial cloud services for computing, storage, etc. e.g., Microsoft Azure, Amazon Web Services, etc.	✓	✗

Ref	Nature	Description	Operating	Infra structure
4D	Utilities and related services	Utilities and related services **directly** involved in the function. e.g. electricity, cleaning, security.	✓	✗
4E	Telecommunications and networking	Monthly or annual fees for internet, cable or satellite services.	✓	✗
4F	Insurance costs	Insurance premiums for funded infrastructure.	✓	✗
4G	Regulatory compliance costs	Costs incurred to meet compliance requirements. e.g., certification, compliance audits, etc.	✓	✗
4H	Training and professional development	Including: ● Initial and continued training related to the infrastructure ● Statutory training, regulatory specified training (e.g. environment, health and safety) and associated certification costs ● Professional development to maintain skills and expertise ● Travel costs related to the above	✓	✓
Ref	**Nature**	**Description**	**Operating**	**Infra structure**
5	**General and administration (up to a maximum of 10% of the total project expenses)**			
5A	Audit fees	Costs incurred for audit services.	✓	✗
5B	Travel	Including: ● Travel for management and coordination purposes (i.e. internal facing) ● Travel for procurement purposes (to a manufacturer, dealer or supplier to select research infrastructure) ● Travel for outreach purposes (i.e. external facing)	✓	✓

5C	Networking events for users	Costs incurred to hold events allowing users of a given service to share information, new developments, best practices, etc.	✓	✗
5D	Communications, outreach, and communication platforms	Costs attributed to the dissemination of information such as promotion, publications or website development.	✓	✗
5E	Office supplies	Consumables used for administrative purposes.	✓	✗

Note: GST, HST and provincial taxes (net of credits or rebates to be received by the recipient institution) may be included as eligible expenses.

2.1.2. Ineligible expenses

Ineligible expenses include:

- retroactive costs, that is, costs incurred prior to the effective date of an agreement for a specific project
- routine administration and operating costs of the recipient
- costs associated with the construction of, or major renovation to, any building and structures of the recipient
- purchase or lease of real property
- mark-up or any amount in excess of the fair market value
- notional taxes on non-monetary contributions.

2.2. Contributions

2.2.1. Matching contributions

The Alliance has a mandate to fund DRI expenses at a ratio of 60% from ISED through the Alliance, and 40% from co-funders (including regional organizations, provincial governments, and higher education institutions). To achieve this mandate, the Alliance applies different funding ratios to the funding calls it issues, depending on the type of funding (infrastructure or operating) and the layer (national, regional, local).

To be considered eligible, matching contributions should meet both the following criteria:

- be used to pay for eligible costs (as described above)
- be provided by eligible partners (defined below).

Matching contributions may be either monetary (cash or actual costs including employee salaries) or non-monetary ("in-kind"). Note that non-monetary contributions are accepted for infrastructure expenses, but not for operating expenses.

2.2.2. Eligible partners

The proposed list of eligible partners includes:

Private sector

- Public or private for-profit companies operating legally in Canada with more than two full-time employees (including corporations, venture capital and other investment funds and other forms of limited partnerships)
- Industry consortia

Public sector

- Municipalities and local or regional governments established by or under provincial or territorial statute
- Provincial/territorial government ministries
- Federal government departments
- Indigenous organizations
- Public utilities
- Crown corporations
- Consortia with the majority of their funding originating from government sources

Not-for-profit

- Post-secondary institutions (e.g., CEGEPs, Colleges, Universities)
- Hospitals and medical/clinical research institutes and their Foundations
- Research institutes or organizations
- Foreign not-for-profit organizations that are legally able to operate within Canada and fund activities that occur within Canada
- Museums and Libraries
- Registered charities and philanthropic organizations (e.g., Foundations).

The proposed list of ineligible partners includes:

- Canadian Institutes of Health Research (CIHR)
- Natural Sciences and Engineering Research Council (NSERC)
- Social Sciences and Humanities Research Council (SSHRC)
- Federal funding and programs administered by the three federal research funding agencies (e.g., Networks of Centres of Excellence, Canada Research Chairs, Research Support Fund, College and Community Innovation Program, Canada First Research Excellence Fund and New Frontiers in Research Fund)
- Knowledge Infrastructure Program and Post-Secondary Institutions Strategic Investment Fund (SIF)
- Other organizations, agencies or institutes funded by ISED, unless otherwise approved by ISED.

2.2.3. Non-monetary contributions

The Alliance recognizes eligible items involving non-monetary contributions at fair market value ("FMV", see definition below). It is the responsibility of the institution to ensure that the FMV reported to the Alliance for such items is reasonable.

The institution may request consideration of a non-monetary contribution by suppliers but should not ask for a specific amount or percentage, since this is to be provided by the supplier on a voluntary basis. The Alliance does not endorse the procurement of items that results in an overestimation of the value of the item and of the non-monetary contribution. The institution must exercise careful judgment, recognizing the risk of overestimation in certain instances, and ensure that non-monetary contributions reported to the Alliance are real and properly valued.

The Alliance reserves the right to make the final determination of eligibility and value for items involving non-monetary contributions, to disallow expenditures and to reduce the Alliance award. To avoid a situation where these items may later be deemed ineligible or incorrectly valued, the institution is encouraged to contact the Alliance early in the process if it foresees a problem in complying with the guidelines.

Taxes associated with the cash portion of an item involving a non-monetary contribution, net of any rebate received, can be included in the eligible cost reported to the Alliance. Taxes must not be calculated and reported for the portion of the item considered a non-monetary contribution.

Definitions

Fair market value: the agreed-upon price in an open and unrestricted market between knowledgeable and willing parties dealing at arm's length who are fully informed and not compelled to transact. The fair market value is the price an institution would be expected to pay in such circumstances after normal and educational discounts but prior to any discount offered as a contribution toward an Alliance-funded project. The fair market value is the eligible expense for an item.

Normal discount: the discount a supplier would normally offer to an institution, taking into consideration factors such as the institution's current volume of transactions and location. A discount for early settlement or for settlement in cash is considered a normal discount.

Educational discount: the discount offered to an institution due to its educational status.

Net selling price: the cash consideration paid or payable by an institution.

Eligible non-monetary contribution: a non-monetary resource that an external partner offers as a contribution toward an Alliance-funded project. It may include the value, in whole or in part, of eligible infrastructure items or non-infrastructure items that are needed for the project. The eligible non-monetary contribution is equal to the fair market value of the item less the net selling price (if any).

3. Award stage

3.1. Award finalization documents

The final amount and instalment schedule for an approved project is determined when the eligible recipient provides the Alliance with the following documents:

1. an updated budget (if required)
2. supporting documentation for the matching contributions
3. for items involving a non-monetary contribution in excess of $100,000, supporting documentation for the valuation
4. for projects involving multiple institutions, an inter-institutional agreement or other relevant documentation.

3.1.1. Updated budget

An updated budget is required at the award finalization stage if one or more of the following occur:

- the Alliance has requested that an updated budget be submitted. This will typically be the case when items need to be removed or amended as per the funding decision.
- there are changes to the project that require prior Alliance approval. The institution must obtain prior Alliance approval for:
  - o any change having a negative impact on a project and its objectives, regardless of the cost implications
  - o any increase or decrease in expenses in excess of $100,000
  - o any change in the sources of matching contributions.

If an updated budget is required:

- any proposed changes to the original scope must be indicated
- updated cost estimates should be obtained only if the institution suspects that the cost for an item stated in the proposal has changed significantly[1].

3.1.2. Supporting documentation for the matching contributions

Agreements or letters confirming the amount to be contributed and the conditions of funding (if any) are required for each source of matching contributions.

3.1.3. Non-monetary contributions in excess of $100,000

The Alliance recognizes eligible items involving non-monetary contributions at their FMV at the time of transfer of ownership to the institution, assuming this value can be reasonably determined and supported by documentation. In some cases, the FMV of the item is known. In other cases, the value must be assessed using commonly accepted methods (e.g. depreciated value). For datasets that are not otherwise sold to third parties, the institution can report only the incremental cost to customize the

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[1] The updated cost estimate should reflect the expected purchase price. The full estimated cost of all eligible items must be presented, even if it exceeds the cost reported to the Alliance in the proposal. The institution must keep on file supporting documentation for updated cost estimates and provide them upon request. Supporting documentation may include, for example, recent educational price lists, quotes, price information requests or bids resulting from a competitive process when a purchase is imminent and such a process has already been undertaken.

dataset. Similarly, for one-of-a-kind items not regularly sold, the institution should report only the incremental manufacturing cost, unless a FMV can be reasonably established.

It is the responsibility of the institution to ensure that the FMV reported to the Alliance for items involving non-monetary contributions is reasonable. The institution must take into account the substance of each transaction and assess whether the amount of the non-monetary contribution is reasonable under the given circumstances. The institution should contact the Alliance if it is unable to establish the FMV of an item involving a non-monetary contribution.

A higher level of due diligence is required if the non-monetary contribution is significant. For all items involving a non-monetary contribution in excess of $100,000, the institution must corroborate the price confirmed by the contributor or the supplier with other sources of information to formally assess the FMV. This may involve, for example, performing a market comparison, a comparison with previous purchases at the institution or by other institutions, or an appraisal by a third party. It is possible that the information required to perform the assessment may not be readily available at the institution. The institution should seek the expertise of its purchasing or supply management departments. If a third-party appraisal is required, the institution must contact the Alliance.

The institution must provide the Alliance with a description of the valuation method used and the assessment itself. The institution should keep all supporting documentation for this assessment (e.g. bids, invoices for similar purchases) on file for audit purposes so that it is available upon request.

The Alliance ensures that the methodology used by the institution is sound and perform a review of the assessment. Any concerns will be communicated to the institution.

Non-monetary contributions from suppliers

To help establish the FMV of an item involving an non-monetary contribution provided by a supplier, the institution should obtain from the supplier a confirmation of the price that would have normally been charged to the institution for the item or service (i.e. the price after normal and educational discounts but prior to any discount offered as a contribution toward the Alliance-funded project). The institution should also consider other readily available information such as, for example:

- other bids that have been received as part of a competitive bid process and that provide useful market comparisons
- the cash consideration paid in a previous purchase of the same (or similar) infrastructure item where the purchase was not related to an Alliance-funded project and did not involve an non-monetary contribution
- the institution's experience with a supplier's discount structure.

3.1.4. Multi-institutional projects

For projects that involve two or more eligible institutions sharing Alliance funding, including instances when the funding is transferred entirely to another institution (e.g. an affiliated entity), the applicant institution may choose to become the recipient institution for the award with responsibility for receiving and administering the funds, or it may request in writing that this responsibility be transferred to another participating institution. In the latter case, the other institution will then become the recipient institution for the award and must submit the award finalization documents.

The recipient institution is responsible for:

- submitting to the Alliance a copy of the signed inter-institutional agreement. At minimum, the agreement should state:
  - the institution that will act as the administrative centre for the project
  - the roles and responsibilities of each institution for the infrastructure project
  - the long-term operating and maintenance plan for the infrastructure
  - the fund-sharing agreement between the institutions, including any infrastructure operating funds
  - the current plan for access to the infrastructure
- ensuring that all participating institutions are knowledgeable of Alliance's guidelines with respect to the administration of Alliance awards, as well as the required supporting documentation
- receiving funds and making payments to other participating institutions as per the inter-institutional agreement
- ensuring that distribution of funds is made only to institutions that have been ruled as eligible by the Alliance
- ensuring that only institutions that have been ruled as eligible by the Alliance will exercise de facto control over and hold a majority interest in the Alliance-funded infrastructure (if applicable)
- preparing consolidated financial reports and project progress reports
- liaising with the Alliance for change requests and notifications and addressing other issues, as required
- coordinating audit work in the event that the project is audited (e.g. obtaining transaction details and supporting documentation, resolving issues)
- having adequate oversight processes and controls to ensure proper management of Alliance funds at participating institutions in the event that the inter-institutional agreement does not transfer this responsibility to the participating institutions.

The recipient institution will be the institution ultimately accountable for the award, and thus may want to consider including clauses in the inter-institutional agreement to mitigate risk and provide recourse.

3.2. Funding agreement and payments

3.2.1. Funding agreement

For each approved project, the Alliance prepares a funding agreement with the recipient institution. The institution is required to sign the agreement, thereby accepting the terms and conditions of the funding.

The award agreement indicates the maximum Alliance contribution (in absolute value and as a percentage of the total project value). It also contains the payment schedule, and financial reporting requirements which vary depending on the size and complexity of the project, as well as any additional conditions of funding.

3.2.2. Release of funding

The Alliance releases funding to the recipient institution once: 1) all finalization documents have been received and satisfactorily reviewed , 2) any specific conditions have been addressed, and 3) the funding agreement has been executed by all parties.

Payments to the institution are subject to the Alliance receiving funding from the Government of Canada, which is subject to sufficient parliamentary appropriations. The Alliance reserves the right to defer or suspend payments if transfers received from the Government of Canada are reduced or cancelled due to insufficient parliamentary appropriations.

Payments by the Alliance to the institution are also subject to Alliance management review and authorization, and the fulfilment of any condition that may be applicable to the payments. The Alliance reserves the right to defer or suspend payments if an institution fails to comply with any of the terms or conditions agreed upon, or if the need for funds is not demonstrated.

The Alliance sends funds only to the recipient institution. For multi-institutional projects, the recipient institution is responsible for receiving and distributing the funds to other participating institutions according to the terms of the inter-institutional agreement.

The Alliance makes electronic deposits to a pre-arranged bank account, and sends the account administrator a payment notification via email.

3.2.3. Payment schedule

Payments are usually made on a quarterly basis. However, semi-annual or annual payments are also possible depending on the significance of the award. In any given fiscal year, the Alliance contribution normally does not exceed the maximum allowable Alliance funding share of the cumulative total eligible costs to the end of that year. Instalments are based on the forecasted disbursements provided by the institution upon award finalization and may be revised following the Alliance's review of the information submitted by the institution in financial reports.

The Alliance will withhold all payments when an institution does not comply with reporting requirements.

3.2.4. Holdback

The Alliance advances up to 90% of the award amount during the life of the project. The remaining 10% is normally released after submission of the final financial report.

The purpose of the holdback is to ensure that the Alliance's contribution remain as close as possible to the maximum allowable Alliance funding share of eligible costs.

The mechanism for the calculation of the final instalment is described in section 4.3.3. *Content of final financial report*.

3.2.5. Increasing the maximum contribution amount

The Alliance will not increase its contribution to a project. For added clarity: there will not be any increases due to fluctuations in exchange rates, the price of commodities or inflation.

4. Post-award stage

4.1. Management and oversight of awards

The recipient institution is responsible for the timely implementation of each Alliance-funded project. For projects involving infrastructure expenses, the recipient institution is also responsible for the operation and maintenance of the infrastructure over its useful life. In all cases, the recipient institution must ensure that funds are properly managed and that it complies with the terms of the funding agreement.

The Alliance, for its part, monitors awards to ensure that projects are implemented properly and funding is spent appropriately so that expected outcomes can be achieved. The Alliance also provides guidelines to assist the institution with the implementation of its projects and with the administration of the funding received.

Both the Alliance and the institution perform various oversight activities. The nature and extent of the Alliance's oversight activities are tailored to the risks facing each institution and project. The risks associated with Alliance-funded projects vary greatly from one project to the next. Project-related risks identified from an Alliance perspective and from an institutional perspective may be similar or may differ significantly. Continued collaboration between the Alliance and the institution to discuss project-related risks is critical to ensuring successful and timely project implementation. Oversight activities may include, for example, project-implementation meetings, financial reporting, project status reports, audits and other ad hoc activities. These activities are tailored to each project to help ensure that the risks identified are being managed adequately.

4.1.1. Institutional management and oversight

Effective institutional management and oversight of Alliance-funded projects requires that appropriate policies, practices, processes and controls be in place. These are the responsibility of the institution and are neither described nor prescribed in this guide.

The institution will develop its own management and oversight activities for Alliance projects, tailored to the complexity and scale of each project. The Alliance does not expect the institution to automatically adopt the standard Alliance guidelines for its own management and oversight activities. As an example, the Alliance may ask that the institution submit an annual financial report for a given project to monitor whether the project is being implemented on a timely basis, but an institution may want to review quarterly internal financial and progress reports if the implementation of the project is complex.

4.1.2. Procurement of infrastructure

The Alliance operates on the principle that its funds must be used effectively and economically. To maximize the purchasing power of its investment and to ensure a fair and transparent process, the Alliance requires that all purchases follow the usual institutional tendering and purchasing policies and procedures.

A formal competitive bid process must be performed when required by institutional policies. To help reduce the administrative burden, this process should be performed only once, prior to the purchase of an item. The requirement for competitive bidding should be clearly communicated to all involved at the onset. The institution should not make any purchase commitments to suppliers when soliciting pricing information at the proposal and award finalization stages, ensuring that a formal competitive

bid process can be carried out prior to the actual purchase. For items involving non-monetary contributions, the institution is also expected to follow its usual policies and procedures

4.2. Financial records and tracking of expenditures and contributions

4.2.1. Financial records

The institution must maintain a verifiable audit trail for all expenses and contributions (including non-monetary) reported in an Alliance-funded project. It must also maintain separate project accounts for each Alliance-funded project. Financial records must reconcile to the financial report submitted to the Alliance.

The institution must not report to the Alliance or provide financial records for items that do not constitute eligible expenses or eligible contributions, even if they are related to the project.

4.2.2. Supporting documentation

The institution must be prepared to provide supporting documentation for expenditures and contributions related to each eligible item included in the budget or financial report of an Alliance-funded project. The institution must keep on file the original documentation for audit purposes and provide it upon request.

4.2.3. Retention of financial records and supporting documentation

The institution must keep all financial records and supporting documentation for each transaction reported in an Alliance-funded project. In line with Canada Revenue Agency requirements, documentation must be kept for at least six years. This six-year period starts at the end of the fiscal year to which the records relate. The institution must keep on file all documentation for audit purposes and provide it upon request. The Alliance may request that the documentation be maintained for a longer period for a given project if this is required for audit purposes.

4.2.4. Specific situations

Acceptance of cash back or other benefits from a supplier

When providing pricing on Alliance-funded infrastructure, suppliers may suggest that instead of a special discount (considered by the Alliance as a non-monetary contribution), the equivalent in cash or other benefits (including additional items) be given to the institution. The Alliance does not endorse the procurement of infrastructure that would be linked to a promise of cash back or other benefits not related to an Alliance-funded project but be advantageous to the institution in some other way. If this occurs, the cost of the infrastructure purchased from the supplier must be reported to the Alliance net of the cash back or value of the benefit received from the supplier (i.e. fair market value less cash back or value of benefit). However, if the cash back or other benefits are advantageous to the Alliance-funded project, the Alliance will accept that the infrastructure purchased from the supplier be reported to the Alliance at fair market value.

Cost allocation of a single item shared between projects

If an institution determines after award approval that it is more optimal and/or cost-effective to consolidate the individual needs of two or more projects and to purchase one single item that will benefit these projects, the cost of the item purchased can be allocated and reported in each individual

project using any method deemed reasonable by the institution, as long as the sum of the amounts reported does not exceed the actual purchase cost of the item. The institution must indicate in the final financial report that the cost of the item has been allocated to more than one project and reference the other project(s).

Basket purchases

If the institution is unable to obtain from the vendor details of the purchase price and its allocation among infrastructure items, the cost of each item acquired as part of a basket purchase (i.e. a group of items acquired for a single amount) can be determined by allocating the price paid for the basket to each item on the basis of its relative fair market value at the time of acquisition. Details of the cost allocation should be documented and made available upon request.

When the infrastructure items purchased are reported in the Alliance budget as a functional group, the institution does not have to allocate the price paid to each item within the functional group, unless otherwise required by institutional accounting practices.

Foreign currency transactions

Foreign currency transactions must be reported in Canadian dollars in the financial reports in accordance with generally accepted accounting principles.

4.3. Financial reporting

4.3.1. Submission deadlines

Active projects are required to submit a quarterly financial report, thirty (30) days after the end of the reporting period.

The final financial report must be submitted within six (6) months of the actual end date of the project.

Reports should be sent electronically to the following address: funding-subventions@alliancecan.ca

The Alliance reserves the right to withhold payments when an institution does not comply with reporting requirements.

4.3.2. Content of quarterly financial report

The financial report includes information on:

- actual and forecasted eligible costs
- actual and forecasted contributions to eligible costs from eligible partners
- proposed budget revisions that have not been previously approved by the Alliance.

In the financial report, the institution must disclose the various funding sources and the full actual cost of all eligible items, even if the cost of these items exceeds the estimated cost reported in the proposal or at award finalization.

4.3.3. Content of final financial report

To request the final instalment for a given project, the institution must submit a final financial report. The report must state the final total eligible costs and contributions.

The amount of the final Alliance contribution is calculated the based on the actual total eligible costs incurred for the project. The final Alliance contribution is the lowest of 1) the maximum allowable Alliance funding share of eligible costs or 2) the Alliance maximum contribution amount, whichever is lower. If the total eligible costs are higher than the estimated costs indicated in the award agreement, the institution is responsible for excess expenditures.

The Alliance reserves the right to make the final determination of eligible costs and fair market value, to disallow expenditures and to reduce the Alliance award if required. To avoid a situation where costs may later be deemed ineligible or incorrectly valued, the institution is advised to contact the Alliance early in the process if it foresees a problem in complying with the guidelines for a given project.

4.3.4.   Budget revisions

Budget revisions should be driven by changes in the nature, scope, or timing of the approved project. Expected changes to the project should be discussed with and approved by the Alliance's program management group before the budget revision template is completed.

When preparing the budget revision template, any impact greater than $100,000 and 10% for any line item in Part II (Expenses) or Part III (Contributions) of the budget should be justified.

The budget revision template is embedded in the quarterly reporting workbook. Requests for budget revisions can be submitted at the same time the quarterly financial report is submitted.

4.4. Contribution audits

The Alliance conducts audits to ensure that the funding received by an institution for a given project has been used in accordance with the agreed-upon terms and conditions of the award agreement and with applicable policies and guidelines. The Alliance reserves the right to audit any Alliance-funded project, even when the final instalment (holdback) has been paid.

A risk-based audit approach is used for the selection of projects to be audited. Various risk factors are considered, such as the value of the Alliance contribution and the non-monetary contributions, the complexity of the project, and the Alliance's experience with both the project and the institution. The risk of a project will determine the scope, timeline, nature and extent of the audit activities. The Alliance reviews project risk and assesses the need for audits periodically. The institution will be notified when a project is selected for an audit.

Audit costs are not eligible costs and cannot be reported as such in an Alliance-funded project. Within certain guidelines, the Alliance will pay for the audit costs out of its budget. However, if an institution has not prepared the required documentation by the dates set by the auditors or has not co-operated with the auditors by providing them with the required information on a timely basis, the Alliance may request that the additional costs incurred be paid by the institution.