

Guidelines for Proper Spending of NRF Funding

<NRF·KUCRI, '19. 11. 4. >

NRF funding comes from *public funds* which are taken out of tax revenue. Thus, research funding should be spent properly in accordance with related acts, codes, and regulations.

「The National Research Foundation of Korea (hereafter, NRF)」 and 「The Korea University Council of Heads of University Research & Industry Cooperation (hereafter, KUCRI)」 provide the following guidelines for NRF R&D projects that awardee organizations and researchers should comply with.

※ The NRF and KUCRI jointly created these guidelines based on an MOU agreed upon on Aug. 29, 2019. We will do our best to streamline the regulations and revise them in the future. These guidelines are subject to change if regulations are revised later on.

1. Purpose

○ The purpose of these guidelines is to direct researchers who conduct NRF-funded research to utilize uniform administrative and cost principles of research funding, and assign allocable costs so as to adhere to the budget properly.

※ You can also refer to ① Regulations for the Management of National Research Development, ② Regulations for the Management of R&D by the Ministry of Science, Information, Communication and Technology, ③ Regulations for the Management of R&D by the Ministry of Education, ④ the Standard Manual for R&D Management, ⑤ Research funding should be disbursed based on the implementation guidelines and agreements of projects and programs.

2. Scope

○ These guidelines apply to all R&D projects funded by the NRF.

※ The NRF and the KUCRI will work to expand and promote these guidelines for use outside our organizations.

3. Administrative Requirements & Cost Principles for NRF Awards

- NRF-funded research funding should be allocated and disbursed on the following 10 principles.

Check the research proposal

- ① Research funds should be allocated and approved to conduct research for that specific project in accordance with the research proposal.
 - Research funds should be allocated according to the budget declared in the research proposal.
 - When changes in the budget are needed, they must be approved by the awardee organizations or the NRF.
- ② Research funds should be approved to conduct research and to achieve the goals of that specific research project only.
 - Misappropriation of research funds is strictly prohibited and subject to restitution or debarment.
- ③ Awards should only be spent during the research periods specified in the agreements or contracts.
 - Exceptions include costs of the integrated management of student researcher salaries, research facilities and equipment, publication costs, and research incentives used prior to the submission of the final financial report.

Compliance with relevant regulations

- ④ Awards should be disbursed in accordance with relevant regulations.
- ⑤ In the absence of relevant regulations, awards should be disbursed in accordance with the financial regulations of the awardee organization.
 - (Examples) Counsel or advisory costs, consultant service fees, travel costs and so on.
- ⑥ If it is hard to decide whether a specific item is allocable or not, refer

to the responsible department at the awardee institute (such as the industry-university cooperation foundation).

- Questions about the allowability of a charge should be brought to the responsible department at the awardee institute and the department should refer that matter to the awarding institute (NRF).

Provide Documentation of Expenses

⑦ Awards should be disbursed via purchasing card (credit card) or wire transfer.

- Cash can be used under certain circumstances (such as when the purchasing card is not accepted).

⑧ Financial records and supporting documents (such as receipts) are required to disburse funding.

- (Supporting documents) distribution documents, receipts (card statements, bank transfer confirmation receipts, tax invoices, etc.)
- Ideally, receipts should be retained in digital form, but if there are extenuating circumstances, such as awardee organizations not having an online accounting system, hard copy preservation is also acceptable.
- (Entry) Uniform-EZ-Baro system, integrated research management system or cross-ministry uniform research grant management system (www.gaia.go.kr)

Avoidance of Conflicts of Interest

⑨ Salaries and research incentives should be disbursed in proportion to the rate of participation and contribution level to the research project.

- The research should be conducted according to the research proposal to avoid conflicts among research participants over salaries and research incentives.

⑩ Awards should only be disbursed in accordance with the research proposal, and should be clearly distinguished from personal expenses.

- If research and personal matters overlap, the two should be separated and funds disbursed in accordance with the specified regulations.

4. Awardee Organizations' Responsibilities

- Awardee Organizations should keep their researchers informed about compliance with these funding distribution guidelines.
- If necessary, awardee organizations can draft their own specific regulations based on these guidelines.

5. Researchers' Responsibilities

- NRF-funded researchers should comply with these guidelines.
- ※ Please refer to Appendix A for Cost Allocation and Spending, and Appendix B for Supporting Documents.

<Notice>

This guide presents precautions for conducting research projects in the field of science (especially university research projects). NRF-funded researchers should pay special attention to these guidelines. New guidelines for humanities and social sciences will be released after modifying relevant regulations.

1. Salaries

- ① Participants' total salaries (including contributions to the four public insurance programs and severance) should be allocated based on their contribution rate during the research contract period according to the awardee institute's criteria. However, participants' compensation should not exceed their maximum annual salary as determined by their host institutes.
 - However, in cases where government-funded research institutes are unable to pay the maximum annual salary, supplemental income earned from additional research projects should not cause a participant's total yearly salary to exceed 130% including the project in progress.
- ② If participants get their full salary from their institutes, their salaries should be indicated as 'in-kind' or 'non-cash' in principle.
 - However, it is possible to contract and pay their wages as freelancers or self-employed workers regardless of their incomes.
- ③ Before paying wages, it is necessary to check employees' employment status through the 'Health Insurance Qualification Certificate.'
- ④ If compensation is increased by more than 20%, it should be reported to the organization in charge (NRF).
- ⑤ It is possible to pay salaries to research support personnel from a non-profit organizations' research department, but the salaries should

not be disbursed from research activity incentives or research incentive costs because those personnel are not participants in the project. (applies to projects contracted after Sept. 1, 2019)

- Research support personnel from a non-profit organizations' research department are not considered participating researchers, but their salaries can be paid as indirect costs spread among several research projects.
- When staff from an industry-university cooperation foundation transfer or are dispatched to a research department, their salaries should be paid as indirect costs. (Their salaries should not be disbursed or allocated among projects as direct costs).

2. Student Salaries

① If the awardee institute has an integrated organization to manage students' salaries, their annual total salaries should be allocated by projects

- Guidelines of student salary integration and management should be applied (Ministry of Science, Information, Communication and Technology Notification)

② If awardee institutes do not have an integrated organization to manage students' salaries, after drafting a 'Research Participant Confirmation', salaries should be assigned based on students' participations. Students who do not participate, should not receive payments. However, participation in research activities should not interfere with their regular classwork.

③ Students' salaries should not exceed the awardee institute's student salary criteria based on the students' maximum annual salary.

- The institute's administration can decide on students' compensation, but students' salaries should exceed 1,000,000 won/month for undergraduates, 1,800,000 for master's students, and 2,500,000 for Ph.D. students.

- If students receive compensation from their home institute and other institutes, their total salary should not exceed their institute's maximum allowable student salary. (If students reach their maximum allowable entirely from their home institute, it is impossible to receive more from other sources.)
 - (e.g.) If Student A participates in 'N' project and collects 80% of their maximum salary, they cannot collect more than 20% of their maximum salary from another project 'M'.
- ④ Students who take a leave of absence should sign an employment agreement so they can be assigned as regular or irregular salary employees and get paid.
- However, after a student signs an employment agreement, the institute's salary integration and management organization can pay the student from the student salary management accounts.
- ⑤ Post-docs' salaries can be paid after they have signed an employment agreement and are assigned as regular or irregular salary employees.
- However, an institute's salary integration and management organization can pay students' salaries from the student salary integration and management account after students sign employment contracts until Dec. 31th 2020.
- ⑥ It is not permissible to withdraw or use students' salaries for joint purposes.
- ※ If faculty members are caught managing students' salaries jointly, those faculty members can be debarred from subsequent R&D projects (5 years for each project), made to pay restitution (the entire amount of funding that were jointly managed), and debarred with penalties (in proportion to the amount of restitution).

<Instance of students' salaries jointly managed (example)>

☐ **Outline**

- A whistleblower reported that a certain university professor was managing students' salaries jointly in the amount of 500 million won while conducting three R&D projects. (The report was confirmed.)

☐ **Administrative actions**

- Debarment from government R&D projects: 15years (5 x 3) <5 years debarment for each project>
- Funding restitution: 500 million won <Total amount of jointly managed students' salaries>
- Sanction penalty: 375 million won <fines according to regulations>
- ※ Although professors do not misuse student's salaries, just the fact that a professor manages students' salaries jointly can be lead to restitution or debarment based on the amount jointly managed.

<Criteria of sanction penalties (Regulations of Government R&D Project Management part 6>

| Amount of funds misused | Proportion of sanction penalty |
|---|---|
| Up to 50 million won | 50% |
| More than 50 million ~ up to 100 million won | 25 million won + 100% of the amount over 50 million won |
| More than 100 million won ~ up to 300 million won | 75 million won + 150% of the amount over 100 million won |
| More than 300 million won ~ up to 500 million won | 375 million won + 200% of the amount over 300 million won |
| More than 500 million won ~ up to 1 billion won | 775 million won + 250% of the amount over 500 million won |
| More than 1 billion won | 2.25 billion won + 300% of the amount over 1 billion won |

3. Research Facility and Equipment Costs

- ① When spending more than 30 million won (Including VAT) on research facility upgrades and equipment, it is necessary to give a justification for the expenses in the research proposal and to get permission from the relevant organization.*

- *If the expenditure is between 30 million and 100 million won, it must be reported to the R&D Review Board (NRF). If it is more than 100 million won, it must be reported to the National Research Facilities and Equipment Review Committee.
- All research facilities and equipment expenditures need to be registered with the National Research facilities portal (ZEUS, <http://www.zeus.go.kr>) or NTIS within 30 days and a National Research facilities & equipment information certificate must be attached to all new equipment.

- ② Research facility upgrades and equipment purchased with awards must be completed and installed (including the completion of inspection) two months prior to the final day of research so they can be used for that research.
- ③ Awards may not be used to pay for compensation for deferment due to research facilities and equipment delivery delays.
- ④ Rental costs from a research institute's own research facilities and equipment can be charged if they were declared in the research proposal.
- ⑤ Operation and maintenance of facilities can be charged if they were declared in the research proposal.
- ⑥ Institutional sharing of equipment and costs for sharing research environment construction are included as direct costs, but calculated as indirect costs.
- ⑦ If an institute conducting research develops new equipment in part or in whole, it can assign an identification number to that equipment.
 - Prototypes can be accounted for separately.
- ⑧ Before purchasing equipment that can be shared, a research institute needs to check if there is any registered equipment available from the National Research Facilities and Equipment (ZEUS) or Research Facilities and Equipment total information system.

4. Research Activity Costs

- ① Domestic and international travel costs can be charged only if they are directly related to conducting that research.
- ② Office equipment, computer hardware and software purchases should be

completed (including the completion of inspection) two months prior to the end of the project so they can be used for that research.

- ③ Travel costs should be paid according to the travel regulations of the researcher's institute based on the its location.

- If the participating researcher is a civil officer, 'Regulations of the Civil Officer's Travel Costs' should be followed.

- ④ Lifetime conference fees, annual conference fees for conferences held after the end of the last stage of research and participation fees cannot be charged.

- ⑤ Meeting costs should only be charged if minutes are recorded or with internal approval.

- Caution: Meeting costs can only be charged if the meeting includes participants from other organizations. Having lunch on a business day is not allowable without holding a meeting. Extra meal payment is only possible for overtime work.

- ⑥ Consulting with an outside expert who did not participate on the project and paying consultation fees to achieve research goals is only possible after compiling expert consultation documentation.

- Expert consultation documentation (example): internal approval documentation (expert credentials attached), expert consultation contract, proof of expert consultation including consultation results, proof of money transfer.

5. Research material costs

- ① It is not permissible to purchase research materials from related institutes (host research institutes, cooperative research institutes, joint research institutes, contracted research institutes, participating companies, etc.) which are related to the awardee institute.

- However, under special circumstances, such as exclusive distributorship or possession of unique technology, exceptions can be made with approval from the NRF.

- ② If the awardee institute wishes to purchase more than the standard

amount it usually allows, it is possible to use the central purchasing system, and purchased products should be inspected.

6. Research incentives

- ① Research incentives cannot be disbursed in excess of 20% of salary (included: in-kind, unpaid salary, student salary; excluded items: salary of research support personnel from non-profit organization's department of research), and if they were not included in the research proposal, it is not possible to include new research incentives.
- ② Research incentives should only be paid to participating researchers based on legitimate criteria (e.g. research incentive payment regulations from awardee institutes) such as contribution rates determined after research has been conducted for a period of time.
- ③ The maximum payment rate for individual research incentives cannot exceed 70% of the total compensation.
 - However, there is an exception if it is the principle's sole research project.
- ④ Research incentives cannot exceed the amount stated in the research proposal. In case a salary is reduced, the research incentive should be reduced in proportion to the reduction (within 20% of the disbursed salary)
- ⑤ Research incentives should not be paid to research support personnel from a non-profit organization's research department.
- ⑥ Research incentives paid to individuals cannot be withdrawn and jointly managed.

7. Subcontracted R&D project Costs

- ① Subcontracted R&D costs cannot exceed 40% of direct costs (outsourced R&D costs, except for unpaid salary) in the research proposal.
- ② Subcontracted R&D costs cannot be altered from the research

proposal by more than 20% without approval from the NRF.

- ③ Supervisory research institutes are responsible for the management of all funding monies paid out to the outsourcing organization. This includes the proper billing and distribution of funds, recovery of any unused funds, and submission of the final report.
- ④ The value-added tax on a subcontracted R&D project should be determined if it is tax free based on value-added tax law.
- ⑤ The distribution of subcontracted R&D projects' awards should comply with these guidelines.

8. Indirect Costs

- ① Indirect costs cannot be increased more than the amount stated in the research proposal and a for-profit organization cannot charge new indirect costs that were not declared.
- ② If a principal investigator moves to a different institute while working on research funding, the difference in the indirect cost rate should be prorated monthly.
 - Indirect cost rate: previous institute \leq present institute \Rightarrow after calculating monthly, the previous institute transfers the difference to the present institute
 - Indirect cost rate: previous institute $>$ present institute \Rightarrow the difference should be transferred to the NRF or the present institute can use it for direct costs based on the transfer date.
- ③ A for-profit organization cannot absorb and spend indirect costs collectively.
 - A for-profit organization should return any excess balance to the NRF.
- ④ The use of indirect costs should comply with relevant regulations.
 - regulations: Regulations of R&D Management (Appendix B)

Appendix B

Supporting Documents

※ Source: National R&D Research Management Standard Manual (Ministry of Science, Technology, Information, Communication and Technology Sep. 2019)

| Cost | | | Documentation |
|--|--|---------------------------------------|---|
| 1.Salaries | Salary for Regular Positions | | ① Table of participating researchers (researchers' name, participation periods, participation rate, remarks, etc.) ② Monthly salary statement ③ Proof of wire transfer |
| | Salary for Irregular Positions (visiting student researchers) | | ① Employment contract (visiting student researchers need to turn in a certificate of enrollment.) ② Confirmation letter from the head of the home institute for visiting researchers ③ Health insurance enrollment certificate ④ Contract for research participation for freelancers or self-employed workers ⑤ Monthly salary statement ⑥ Proof of wire transfer |
| | Research Support Personnel | | ① Table of research support personnel (research support personnel names, participation period, remarks, etc) ② Monthly salary statement ③ Proof of wire transfer |
| 2.Student salaries | If university has an integrated management system for student salaries | | ① Proof of integrated management system for student salaries (exemption from settlement) ※ The student salaries paid by the government departments of funding agencies based on an agreement should be treated use in full |
| | If university does not have an integrated management system for student salaries | | ① Participating researchers status (researchers' names, criteria for the calculation of student health costs of participant periods, participant rate, remarks, etc.) ② Proof of wire transfer ③ Confirmation of research participation ④ Health insurance enrollment certificate ⑤ (Student researcher with earned income) Employment contract ⑥ (Student researcher running a start-up) Copy of business registration card |
| 3. Research facility and equipment costs | | | ① Card sales invoice (tax invoice or proof of wire transfer) ② Transaction statement ③ Purchase request ④ National research facility equipment registration ⑤ Official approval of the Central Equipment Review Committee ⑥ Import declaration documents for international purchases (overseas imports) ⑦ Confirmation of inspection in case of transaction by contract |
| | Domestic Travel Costs | If regulations for travel costs exist | ① Travel regulations ② Applications for travel ③ Proof of wire transfer |
| | | If regulations | ① Application for travel |

| Cost | | | Documentation |
|-------------------------------------|--|---|---|
| 4. Research activity costs | | for travel costs do not exist | ② Documentation of travel ③ Card sales invoice (transportation, lodging, necessities (food, etc.)) |
| | International Travel Costs | If regulations for travel costs exist | ① Internal payment documents (business trip itinerary including researcher, periods, place, reasons, costs calculation, and detailed schedule) ② Institutional Regulations for travel costs ③ Card sales invoices (proof of wire transfer or tax invoice) ④ Internally approved business trip reports ⑤ Abstract to submit to (international) journals (if there are changes from the original proposal) ⑥ Papers presented at (international) conferences (if there are changes from the original proposal) |
| | | If regulations for travel costs do not exist | ① Internal payment documents (business trip itinerary including researcher, periods, place, reasons, costs calculation, detailed schedule) ② Card sales invoice (proof of wire transfer or tax invoice) ③ Business report with internal approval ④ Documents to confirm the dates of travel (copy of passport, immigration certificate, etc.) ⑤ Abstract to submit to (international) journals (if there are changes from the original proposal) ⑥ Papers presented in (international) conferences (if there are changes from the original proposal) |
| | Print, copy, publication, making slides, utility costs, public charges and taxes, postage, courier charges, and fees directly related to the project | | ① Card sales invoice (proof of wire transfer or tax invoice) |
| | Domestic /internati onal training costs, subscripti on fees including books, conferen ce hall fees, seminar hosting fees, conferen ce-semin ar participat ion fees, manuscri pt fees, translatio | Domestic/intern ational training costs | ① Internal approval documentation ② Receipt of educational fee from educational institute ③ Certificate of completion ④ Proof of wire transfer (education fee deposit account) |
| | | Fees for collecting information | ① Internal approval documentation ② Proof of wire transfer |
| | | Subscription fees including books | ① Card sales invoice (proof of wire transfer or tax invoice) ② Transaction statement |
| | | S e m i n a r hosting fees | ① Internal approval documentation and minutes (including date and time, location, participant names, purpose, and contents of the seminar) ② Card sales invoice (proof of wire transfer or tax invoice) |
| | | Conference or s e m i n a r participation fees | ① Card sales invoice (proof of wire transfer or tax invoice) ② Receipt of conference registration fee ③ Abstract to submit to (international) journals (if there were changes from the original proposal) ④ Papers presented at (international) conferences (if there were changes from the original proposal) |
| | | T e c h n o l o g y transfer fees | ① Internal approval documentation ② Card sales invoice (proof of wire transfer or tax invoice) ③ Receipt of technology transfer fee |

| Cost | | | Documentation |
|-------------------------------------|--|---|--|
| 4. Research activity costs | n fees, shortthan d fees, technolo gy transfer fees, expert and daily employ ment fees, etc. | | ④ Technology inspection report, etc. |
| | | Publication fees | ① Card sales invoice (proof of wire transfer or tax invoice) ② Paper title, journal title, country of issue, date of publication, volume, author, start and end page number |
| | | Domestic and international expert consultation fees | ① Internal approval documentation (attachment of expert personnel credentials, etc) ② Expert advisory confirmation with advisory details ③ Proof of wire transfer |
| | | D a i l y employment fees | ① Internal approval documentation (daily workers' information, etc. attached) ② Daily confirmation letter (including daily activities) ③ Proof of wire transfer |
| | R&D service fee | | ① Internal approval documentation ② Card sales invoice (proof of wire transfer or tax invoice) |
| | P a t e n t information research & analysis, fees for knowledge and property creation such as strategies for establishing the acquisition source and core patents | Patent information research & analysis, etc | ① Internal approval documentation ② Proof of wire transfer |
| | Meetin g fees, meals, office supply costs, equipm ent and supplies f o r researc h environ ment mainten ance, consum able expense s | Meeting fees | ① Internal approval documentation or minutes ※ Goals, date, place, and participants of a meeting that cost less than 100,000 won (including VAT) need to be documented. |
| | | Meals | ① credit card receipt ② Expense reports ③ Overtime work confirmation documents |
| | | Supplies (consumables), equipment and supplies for research environment maintenance | ① Card sales invoice (proof of wire transfer or tax invoice) ② Transaction statement |
| | | consumable expenses for non-profit organizations' operation | ① Card sales invoice (proof of wire transfer or tax invoice) ② Transaction statement |
| | Expenses for purchasing, installing, leasing, and using equipment and software that was | | ① Card sales invoice (proof of wire transfer or tax invoice) ② Transaction statement ③ Purchase request ④ Confirmation of inspection in case of transaction by contract |

| Cost | | Documentation |
|------------------------------------|--|---|
| | purchased two months prior to project completion to use for that research project. | |
| | Costs of project promotion for establishing research infrastructure | ① Internal documentation for research infrastructure formation plans ② Card sales invoice (proof of wire transfer or tax invoice) ③ Transaction statement |
| 5. Research material costs | | ① Card sales invoice (proof of wire transfer or tax invoice) ② Transaction statement ③ Purchase request ④ Customs documents for international purchases (overseas imports) ⑤ If manufacturing prototypes, test products, internal test facilities, the details of the total expenses (material costs and personal expenses) should be specified. ⑥ If manufacturing externally, provide a written estimate and tax invoice. ⑦ Confirmation of inspection in case of transaction by contract |
| 6. Research incentives | | ① Evaluation documentation for PI to evaluate participant researchers' contribution rates (evaluation plans and results including evaluation criteria and methods) ② Payment application form ③ Proof of wire transfer |
| 7. Subcontracted R&D project costs | | ① Proof of wire transfer (deposit proof to trustee research institutes) |
| 8. Indirect costs | non-profit organization | Not allowed |
| | for-profit organization | Card sales invoice (proof of wire transfer or tax invoice) |