

# University of Guelph

## Procedures for Incorporating the Full Cost of Research into Project Budgets

### Step 1: Understanding the Full Cost of Research

The full cost of research equals direct costs plus indirect costs.

Direct costs are University expenditures incurred in the conduct of sponsored research that can accurately be identified and itemized and directly attributed to research activity; for example, the salaries and benefits of research assistants and graduate students, equipment and supplies costs, and travel and publication costs.

Indirect costs include expenditures that are necessary to support research and (i) may not be directly attributed to any one research activity but rather provide general support for the University research environment as a whole (e.g., libraries and computer networks); (ii) may or may not be measurable and attributed to specific research activities (occupancy costs [such as heat, light, energy and waste management], research and financial administrative support, insurance and human resource management; and (iii) may not be eligible for funding through sponsored research.

For a more detailed list of indirect cost expenses, please refer to Table 3 (Sample institutional direct costs).

### Step 2: Before Beginning Budget Preparation – Determine the Applicable Rate

- a. Read the **University of Guelph Full Cost of Research Policy** and associated **Exceptions and Exemptions** and **Frequently Asked Questions**.

The indirect costs recovery rates as noted in the policy will be no less than 40% of the total direct costs, or the maximum allowable rate as published by the external sponsor, where funds will be supplied under a research agreement subject to the following recovery rate exceptions:

- a. 25% of the direct costs where the external sponsor's funds are successfully matched with funds from Tri-Agency (Natural Sciences and Engineering Research Council (NSERC), Social Sciences and Humanities Research Council (SSHRC) and Canadian Institutes of Health Research (CIHR) programs that are contingent upon the external sponsor's contribution;

- b. 0% for provincial funding provided directly through the OMAFRA-University of Guelph Agreement, known as the Ontario Agri-Food Innovation Alliance (Note that the indirect cost rate on external sponsor matching funding to Ontario Agri-Food Innovation Alliance grants is 40% or the external sponsor's accepted policy rate);
  - c. where the external sponsor prescribes a different recovery rate in published terms or policy, which are accepted by the University (i.e., refer to external sponsor's program guidelines or website);
  - d. low-value research agreements for which the total budget is CAD \$5,000 or less will be exempt from indirect cost recovery.
- b. If the indirect cost rate is not prescribed in the University's policy or the list of exceptions, review the [Research Alert](#) associated with funding opportunity if applicable, and any sponsor guidelines and policies on indirect costs to determine if they have a published policy or any definition of, or limits on, allowable direct and indirect costs.
  - c. If information on indirect costs cannot be found in the external sponsor's published materials or the rate is unclear, ask the Research Services Office (RSO) at [research.services@uoguelph.ca](mailto:research.services@uoguelph.ca) if they can provide the indirect cost rate. If RSO is unaware of the indirect cost rate, RSO will reach out to the external sponsor to ask for their definition of indirect costs and any limits on direct and indirect costs.
  - d. To learn more about how to incorporate indirect costs within research donations and gifts, please contact Carolyn Osborn, Director Research Support Services ([cosborn@uoguelph.ca](mailto:cosborn@uoguelph.ca)).

RSO requires written documentation to support applicable indirect cost rates (i.e. indirect cost rates supported by University policy or exceptions, or included in the sponsor's call for proposal or published policies). Principal investigators (PIs) who are uncertain of the rate to include in a particular proposal are asked to verify the rate at the budget preparation stage with their College Research Manager who will consult with RSO as needed.

### **Step 3: Calculate the Indirect Costs to be Included in the Research Project Budget**

PIs are to calculate the applicable amount of indirect costs to be included in the research project budget. Example budget calculations are available within the **Frequently Asked Questions**. For assistance, please contact your [College Research Manager](#).

### **Step 4: Finalize and Submit the Research Proposal with Budget to the Research Services Office**

PIs are to complete their research proposal and finalize the budget that includes the full costs of research. Questions regarding the full cost of research/indirect costs may be directed to their [College Research Manager](#) or RSO staff ([research.services@uoguelph.ca](mailto:research.services@uoguelph.ca)).

When the proposal/application and budget are complete, PIs are to:

- a. complete the OR-5 form, with the indirect cost rate clearly identified on the front of the form;
- b. submit the OR-5 form along with the accompanying proposal and budget to the PI's Department Chair, the College's Associate Dean Research and Graduate Studies, for their review and signatures; and
- c. submit the signed OR-5, proposal and budget to RSO at [research.services@uoguelph.ca](mailto:research.services@uoguelph.ca).

RSO staff will review the documentation and assess and verify the indirect cost rate. Should RSO staff have any questions about the indirect cost rate, they will contact the relevant College Research Manager.

## **Step 5: Research Agreements and Indirect Costs**

The negotiation of research agreements (including those resulting from a grant application) is coordinated by the RSO, in collaboration with the PI and external sponsor.

If indirect costs were not verified through the proposal preparation and submission process in Steps 3 and 4 above, PIs are expected to include the applicable rate (see Steps 2 and 3 above) at the agreement stage when discussing and planning the research and budget with external sponsors. The indirect costs rate will be reviewed by RSO staff upon receipt, review and negotiation of the agreement. Any deviations from University policy rates must have the approvals as outlined in Step 4.

## **Step 6: Finalization of Indirect Costs Recovery**

RSO will communicate the approved/verified indirect cost rate for each research account to Research Financial Services (RFS). RFS will deduct indirect costs from research accounts as expenses are incurred.

## **Contact Information**

For further information about indirect costs, PIs are advised to contact their [College Research Manager](#) or [research.services@uoguelph.ca](mailto:research.services@uoguelph.ca).