



Revised Policy on Indirect Cost Rates

for

Research Conducted

at the

University of Guelph

Office of Research

University of Guelph

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Table of Contents

- 1. Preamble..... 3**
- 2. Definitions..... 3**
- 3. Types of Research Funding..... 5**
- 4. Indirect Cost Calculation 6**
- 5. Responsibility for Indirect Cost Approvals..... 7**
- 6. Resolution of Disputes 7**
- Table 1 – Indirect Cost Rates at the University of Guelph..... 8**

1. Preamble

Most funding for university research is obtained by faculty through grant competitions offered by various funding agencies and sponsors, or through developing contracts with government, NGO's or industry. The direct costs of performing research are usually well understood, but there are many other significant costs involved in research that are not immediately obvious, nor can they always be attributed to a specific research project. Nonetheless they are real costs and are incurred by the University for all research activities. These additional, non-project-specific costs are known as *indirect costs*. Examples are provided in section 2.5 below and in the companion document entitled "Indirect Costs: Rationale¹".

Recovery of indirect costs of research is common at universities throughout Canada and elsewhere. While some variation exists in rates of recovery, many Canadian universities charge 40% on contracts, and between 15% and 30% on grants. For example, at the time of writing, an indirect cost rate of 40% on industry contracts applies at the Universities of Calgary, Regina, Toronto, and at Brock, McGill, Memorial and McMaster Universities, to name a few.² Further, in a 2009 report entitled "Funding the Institutional Costs of Research: An International Perspective", The Association of Universities and Colleges of Canada argues that indirect costs for all institutions should be funded at a rate equal to at least 40% of the direct costs of research.³

Indirect Costs of research are significant and real, and if they are not recovered from research sponsors, they must be found within the operating budgets of the University. The University's Indirect Cost policy described in this document specifies the procedures by which the University will recover the indirect costs of research activities from sponsors and the indirect cost recovery rates that will apply uniformly and equitably to all types of sponsored research.

2. Definitions

- 2.1 **Agreement** shall mean any signed document confirming details about a particular research project or program, to most often include a commitment of research funding made to the University. The document delineates the arrangements that have been agreed to by all parties. This includes but is not limited to contracts, grants, and service agreements.

¹ Retrieved August 29, 2014 at:

http://www.uoguelph.ca/research/assets/resserv/docs/rationale_for_indirect_costs_at_uog.pdf.

² Like Guelph, most universities make some exceptions to this general rate. For example, the rate may be lower if the industry funds match a Tri-council award or if some of the direct costs are for university services (such as the Central Animal Facility) for which the user fee already includes indirect costs.

³ Retrieved August 29, 2014 at: <http://www.aucc.ca/wp-content/uploads/2011/07/institutional-costs-international-2009-05-e.pdf>.

- 2.2 **Charitable Organization** shall mean any organization or foundation that sponsors research and has active charitable registration status.
- 2.3 **Direct Costs** shall mean the direct cash costs (not in-kind) of research projects, including but not limited to: personnel costs (salaries & wages, vacation pay and benefits); materials and supplies; travel, accommodation and living expenses; consultant's fees; equipment costs (purchase, lease, rental); publication costs, costs of sub-agreements with other institutions or organizations.
- 2.4 **Government Sponsor** shall mean any agency or department of the federal or any provincial, regional or municipal government. US and international government agencies are usually considered government sponsors.
- 2.5 **Indirect Costs** shall mean the costs incurred in the conduct of research that are not readily traceable to specific research activities or projects, yet are real costs borne by the University. Examples of indirect costs include, but are not limited to: costs of library operations and central computing facilities, occupancy costs (maintenance, utilities and building services); central administration costs (Human Resources, Physical Resources, Purchasing, Research Financial Services, Office of Research); building use and capital equipment costs.
- 2.6 **Industry Sponsor** shall mean any publicly or privately held corporation or industry association that may exist as either a 'for-profit' or, 'not-for-profit' entity.
- 2.7 **Principal Investigator (PI)** shall mean any faculty or staff member who is the primary oversight manager of a research project or related activity, and in whose name research accounts are established.
- 2.8 **University** shall mean the University of Guelph and its regional campuses, including, Guelph-Humber, Ridgetown, Kemptville and Campus D'Alfred, as well as all ARIO research stations and any and all research facilities of any type that are controlled by the University.

3. Types of Research Funding

There are several different types of research funding opportunities that are available to PIs, each of which is discussed below. Researchers are advised to contact the Office of Research in the early stages of the development of funding proposals for guidelines and assistance, particularly for contractual arrangements, or for funding opportunities leveraging funds from additional sources.

3.1 Charitable Donations and Philanthropic Gifts

Occasionally donors identify a desire to make a charitable donation in support of the University's research mission through Alumni Affairs & Development. Charitable donations and philanthropic gifts are provided with true charitable intent and are given free of proprietary expectations of the donor. The funds are made available through a gift agreement signed by the donor and the University, and are made in compliance with the donor's intents, Canada Revenue Agency regulations and University policies and procedures. Donors may expect to receive a charitable gift receipt, recognition for their contribution, and in some cases, a financial report on how the funds were spent.

3.2 Research Grants and Research Contracts

The University enters into a variety of Agreements with other parties to support its research enterprise. Research agreements with sponsors are the means for the University to secure a commitment from that sponsor to provide funding to support research. The terms of research agreements can vary from the most basic to very complex. The two main types of agreements are research grants ("Grants") and research contracts ("Contracts"). For the purposes of implementing its indirect cost policy, the University uses the following key criteria⁴ to distinguish a Grant from a Contract:

3.2.1 Research Grants

- a. The sponsor does not seek the right to restrict or delay the dissemination of the results of the research project.
- b. The sponsor does not seek any rights to intellectual property (data, copyright, trademarks patents, etc.) resulting from the research project.
- c. The sponsor does not seek a warranty with respect to standard of performance (e.g., Good Laboratory Practice, Good Clinical Practice) or the research results.

3.2.2 Research Contracts

- a. The sponsor seeks the right to restrict or delay the dissemination of the results of the research project.

⁴ These criteria apply in the majority of cases however there may be exceptions.

- b. The sponsor seeks rights to intellectual property (data, copyright, trademarks, patents, etc.) resulting from the research project.
- c. The sponsor seeks a warranty with respect to standard of performance (e.g., Good Laboratory Practices, Good Clinical Practices) or the research results.

3.3 Research Service Contracts

Research Service Contracts allow the University to provide a specific research service not readily available elsewhere to Government or Industry Sponsors. An example is a researcher who has a unique specific skill or piece of equipment that is not generally available outside of a university setting.

4. Indirect Cost Calculation

4.1 Indirect Costs must be included in the budgets for all research projects funded through Research Grants, Research Contracts and Research Service Contracts as a percentage of the project's Direct Costs less the Exemptions listed in section 4.5 below. Indirect Costs are calculated as:

$$\text{Indirect Costs} = [\text{Direct Costs} - \text{Exemptions}] \times \text{indirect cost rate}$$

and

$$\text{Total Project Costs} = \text{Direct Costs} + \text{Indirect Costs}.$$

4.2 The University's indirect cost rates are summarized in [Table 1](#) and are maintained by the Office of Research.

4.3 Low-value agreements for which the total budget is \$5,000 or less are exempt from all indirect cost charges.

4.4 Indirect costs must also be included in budgets for research sub-agreements where another institution or organization is the primary recipient of the research funding. Where the University is the sub-awardee, the University's Indirect Cost Rate will at a minimum be the indirect cost rate charged to the primary sponsor by the primary recipient. Thus, the indirect costs recovered from the primary sponsor will flow through the primary recipient to the University.

4.5 Exemptions: there are several types of costs incurred for research projects that are already intended to be fully cost-recovered and that are therefore exempt from the direct cost base upon which Indirect Costs are calculated. Exempted costs are listed below. This list is subject to change and will be updated as needed on the Office of Research web pages.

- a) External *per diem* rates for Central Animal Facility and Isolation Unit;
- b) Services provided by the Ontario Veterinary College Health Sciences Centre;
- c) ARIO Research Station Access Fees;
- d) Flow through analytical service fees paid to the Laboratory Services Division for which indirect charges are already calculated into the unit pricing.

5. Responsibility for Indirect Cost Approvals

- 5.1 Proposals and applications for sponsored research must be approved prior to submission to external sponsor as described in research policy *C.1 University Approval to Submit Applications/Proposals to External Sponsors through the Research Proposal Approval (“OR-5”) Form*. Final University approval of proposals/applications (through signing the OR-5 Form) is coordinated by the Office of Research.
- 5.2 Budgets negotiated with research sponsors that have not received University approval at the time of proposal or application may require re-negotiation at the time of award (i.e. to include Indirect Costs at the rate specified in Table 1 if they were not previously included).
- 5.3 Research Agreements can only be signed by an individual authorized to sign on behalf of the University, such as the Associate Vice President Research. Review of agreements and subsequently, signatures, are coordinated by the Office of Research via the Form OR-5 submission process.

6. Resolution of Disputes

The Office of Research is responsible for implementing the University’s policy on indirect costs. In the event of a dispute over the interpretation of this policy, attempts should initially be made to resolve the issue informally. If the issue cannot be resolved informally, the Associate Vice-President Research (Research Services) will review the matter and determine a resolution. If one or more of the parties to the dispute is not satisfied with the judgment, an appeal can be made to the Vice President (Research) whose decision will be final.

Table 1 – Indirect Cost Rates at the University of Guelph

Types of research funding (e.g., philanthropic, research grant, research contract, etc.) along with the associated indirect cost rate are listed in [Table 1](#). It is subject to change more frequently than the indirect cost policy document described above and, as such, is not included herein.