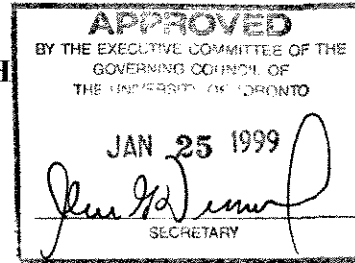




OFFICE OF THE VICE-PRESIDENT - RESEARCH AND INTERNATIONAL RELATIONS  
**POLICY ON RESEARCH CONTRACTS AND  
THE RECOVERY OF INDIRECT COSTS OF RESEARCH**

(to replace the Contract Policy 3/2/75)



1. **Definitions**

For the purpose of this Policy, the following definitions apply:

**Direct Costs:** costs of a project, which can easily and accurately be identified as such. Examples include but are not limited to salaries, wages and benefits of research personnel, materials and supplies, travel, equipment and rental of space.

**Indirect Costs:** costs of a project, which cannot be directly attributed to it, usually because they are incurred for objectives common to multiple projects, multiple researchers or multiple functions of the University. Examples include but are not limited to building use and depreciation, equipment depreciation, physical plant and maintenance (including utilities, hazardous waste disposal, security), insurance, financial administration (including purchasing and accounting) and libraries.

**Research:** investigation or experimentation aimed at the discovery or interpretation of knowledge, the systematic collection or revision of knowledge in light of new facts or theories, the development and application of methodologies to increase knowledge and the practical application of knowledge to specific problems or circumstances.

**Research Contract:** an agreement to perform research or research-related activities under specified negotiated conditions in exchange for payment of direct and indirect costs. A research contract can be expressed in a variety of forms, including an exchange of letters between the parties, purchase orders, form contracts and contracts requiring execution under seal.

**Research Grant:** an agreement under which a public or private organization provides funding to pay for part of the costs of a research project. Normally a grant does not require the researcher to deliver to the sponsor a pre-determined set of research outcomes. For the purposes of section 5.3 below, Research Grant does not refer to funding received from the federal granting councils or from any other funding program by a government department or agency in which support is allocated competitively upon the basis of peer review, unless the guidelines of such council or program permit the recovery of indirect costs.

**Research-Related Activities:** activities closely related to research. Examples include but are not limited to testing and evaluation; the collection and manipulation of data; writing, editing or translating; and the organization of meetings for the communication and discussion of research results.



## **2. Research Contract Proposals**

- 2.1 Any member of the teaching or administrative staff of the University who wishes the University to enter into a research contract with another organization should prepare a proposal which includes, at a minimum, the following information: a statement of work, identification of the individuals who would be doing the work and the facilities to be used and a budget for the project, including provision for the recovery of indirect costs.
- 2.2 All contract proposals must be signed by the appropriate officials in the proposer's department and/or Faculty and then submitted to University of Toronto Research Services (UTRS) for review and endorsement before being sent to the contracting organization.
- 2.3 When a proposal is accepted, the draft research contract must be submitted to UTRS, which will ensure that the terms and conditions are consistent with all relevant University policies, regulations and procedures as may be, from time to time, enacted and amended. With that aim, UTRS may require additional information from the proposer and may undertake direct discussions with the contracting organization.

## **3. Execution of a Research Contract**

- 3.1 For all research contracts, the contractor shall be identified as The Governing Council of the University of Toronto.
- 3.2 All research contracts must be signed by the Vice-President - Research & International Relations or another official authorized to do so by the *Policy on Approval and Execution of Contracts and Documents*. In cases where the contract is to be executed under the University's seal, the contract must also be countersigned by another officer authorized by the *Policy on Approval and Execution of Contracts and Documents* to execute documents under seal, normally the Secretary or an Assistant Secretary of the Governing Council.

## **4. Responsibilities of Principal Investigators**

- 4.1 The designated Principal Investigator for a research contract is responsible for ensuring that the University complies with all applicable terms and conditions of that contract, including:
  - performing the work as stated in the contract;
  - ensuring that everyone working on the project is aware of and agrees to comply with all applicable terms and conditions, especially those relating to publication, intellectual property and confidentiality;

- submitting reports and other deliverables in the form and by the dates specified in the contract;
  - ensuring that all obligations with respect to inventions and other forms of intellectual property are met;
  - authorizing expenditures in accordance with the budget outlined in the contract and the policies and procedures of the University;
  - following all relevant University policies and procedures where these are not superseded by the conditions of the contract; and
  - ensuring that the appropriate department and/or Faculty officials and UTRS are informed as soon as possible of any circumstances which could prevent satisfactory completion of the contract.
- 4.2 Normally, the Principal Investigator's department or Faculty shall be financially responsible for covering all shortfalls in revenue resulting from failure to submit deliverables to the contracting organization. They shall also be financially responsible for all overspending on contract accounts.
- 4.3 Principal Investigators may be compensated for the performance of services in connection with a research contract, subject to the *Policy on Conflict of Interest - Academic Staff*. In such cases, the Principal Investigator must complete and sign the Secondary Research Contract/Payment Form or an equivalent document authorized by the Vice-President - Research & International Relations, which must be endorsed by the appropriate officials of the Principal Investigator's department and/or Faculty as well as by the Vice-President - Research & International Relations.
5. **Recovery of Indirect Costs**
- 5.1 The indirect costs of a research project shall normally be calculated as a percentage of the total direct costs of that project ("the overhead rate"). However, in cases where the policies of the contracting organization require and where UTRS has endorsed the proposed contract, an alternative method of calculation may be employed.
- 5.2 The overhead rates currently in effect for research contracts are those listed in Appendix A of this Policy. The Vice-President - Research & International Relations is authorized to make adjustments to these rates from time to time in response to changing circumstances. Any such changes shall be promptly reported to the appropriate committees of the Governing Council.

- 5.3 In order to achieve better recovery of the true costs of research projects, all Research Grants from companies, industrial consortia and government departments or agencies and, wherever possible, foundations shall be subject to an indirect costs charge. The overhead rates for such grants are listed in Appendix B of this Policy. The Vice-President - Research & International Relations is authorized to make adjustments to these rates in response to changing circumstances. Any such changes shall be promptly reported to the appropriate committees of the Governing Council.

## 6. Distribution of Overhead Revenue

- 6.1 All revenue received by the University as recovery of indirect costs ("overhead revenue") shall be distributed as follows:

Principal Investigator's Department	50%
Principal Investigator's Faculty	5%
Accommodation & Facilities Directorate	5%
General University Revenue	40%

In cases where the Principal Investigator is in a single-department Faculty, overhead revenue shall be distributed as follows:

Principal Investigator's Department	50%
Accommodation & Facilities Directorate	5%
General University Revenue	45%

- 6.2 Of the Department's portion of the overhead revenue, no less than 25% (i.e. 12.5% of the total) shall be allocated, in such manner as the Principal Investigator shall designate, to the infrastructure and related costs of the Principal Investigator's research program, unless there is a Departmental policy to provide support for the research program of the Principal Investigator in some other way.

## 7. Personal Research Contracts

- 7.1 Under the *Policy on Conflict of Interest - Academic Staff*, faculty members are permitted to enter into personal contracts to perform research and other services, providing that they conform to the requirements of that *Policy*. Where the performance of such personal contracts involves use of the University's buildings, equipment, services or employees, the faculty member must inform the head of the relevant department(s) and enter into a written agreement to pay the University for all the direct and indirect costs of said use. Under the same agreement, the faculty member shall indemnify the University from all damages, losses and costs arising from the faculty member's performance of, or failure to perform, the personal contract.

8. **Administration of the Policy**

- 8.1 The Vice-President - Research & International Relations is responsible for the administration of this Policy and may, in unusual circumstances, approve modifications to the application of this Policy if she/he is satisfied that it is in the best interests of the University to do so. Such modifications shall be reported annually to the Planning and Budget Committee. The Vice-President - Research & International Relations is also authorized to approve regulations and procedures pursuant to the Policy.

January 25, 1999

January 12, 2005

## APPENDIX A

### OVERHEAD RATES ON RESEARCH CONTRACTS

#### Standard Rate

40% of total direct costs

#### Government of Canada Rate

##### (a) Government Departments and Agencies

65% of on-campus salaries, wages and benefits  
30% of off-campus salaries, wages and benefits  
2% of travel and living expenses

##### (b) Canadian International Development Agency (CIDA)

54% of salaries, wages and benefits

##### (c) International Development Research Centre (IDRC)

13% of total direct costs

#### Government of Ontario Rates

##### (a) Government Departments and Agencies

30% of total direct costs\*

##### (b) Ontario Centres of Excellence (OCE)

35% of total direct costs\*

#### U.S. Federal Government Rate

44.3% of total direct costs, excluding capital expenditures and subcontract amounts in excess of \$25,000 each.

\* supplemented by payments from the Ontario Research Performance Fund to reach a maximum of 40%.

January 12, 2005

## **APPENDIX B**

### **OVERHEAD RATES ON RESEARCH GRANTS**

Companies, Industrial Consortia and Government \* Departments and Agencies

20% of total direct costs

Foundations (where applicable)

10% of total direct costs

\* except U.S. federal government, for which contract rate (see Appendix A) normally applies