



Undertaking research projects at a university requires an investment of institutional resources such as faculty time, facilities, equipment, IT and administrative support and services which are difficult to quantify in the project budget. Vancouver Island University provides these supports to invest in a culture of excellence in scholarship, research and creative activity, resulting in numerous benefits to researchers, student learning and community engagement. In order to provide these supports, VIU funds them in part by charging for indirect costs on external grants and contracts. These funds are then distributed throughout the institution to those units that support the research activity. This practice enables VIU to reinvest in research and recognize the contributions of those involved. The practice of charging indirect costs is also applied to non-research activity and is often referred to as overhead.

## Beneficiaries of Indirect Cost Recovery and Distribution

Distribution of indirect costs proceeds should provide benefit to:

- the institution, via the Chief Financial Officer and Vice-President Administration, to support central administration costs related to research activity;
- Scholarship, Research and Creative Activity (SRCA), via the Provost and Vice-President Academic, to support the institutional research strategy and services of the SRCA office;
- the researcher's department, research centre, institute, or lab, via the Dean, in recognition of the departmental support of the research activity;
- the researcher's Faculty, via the Dean, to be used as discretionary funding to support in-year research-related activities.

**Note:** Indirect cost recoveries are intended to support in-year expenditures; therefore, funds cannot be deferred to a future period. Funds are not eligible for transfer to a General Research Account (GRA) assigned to a VIU employee.

## Indirect Cost Formula

Where possible, after accounting for all direct expenditures involved in an externally funded (non Tri-Agency) grant or contract, researchers will embed a minimum flat rate of 25% on total project expenditures into their budget. Where government agencies or other sponsors have publicly posted their indirect costs rates on the web or in written documents, the publicly posted indirect costs rates will be used<sup>1</sup>. Some agencies refuse to pay for indirect costs as they are not transparent. However, they are often willing to pay for these if specifically identified. In these cases, indirect costs should be represented as direct expenditures and included in the budget as specific expenditure items (e.g. professional expertise of faculty, office space, IT support, purchasing services, finance support, secretarial support, HR, and payroll). Researchers can also request an indirect cost reduction or exemption (see rationale later in this guideline).

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<sup>1</sup> If the posted rate is <25%, researchers should include evidence in their Romeo External Grant Intake form. If the posted rate is >25%, the higher rate should be used.

VIU calculates indirect costs recovery on total project expenditures. The formula researchers should use when calculating their indirect costs is:

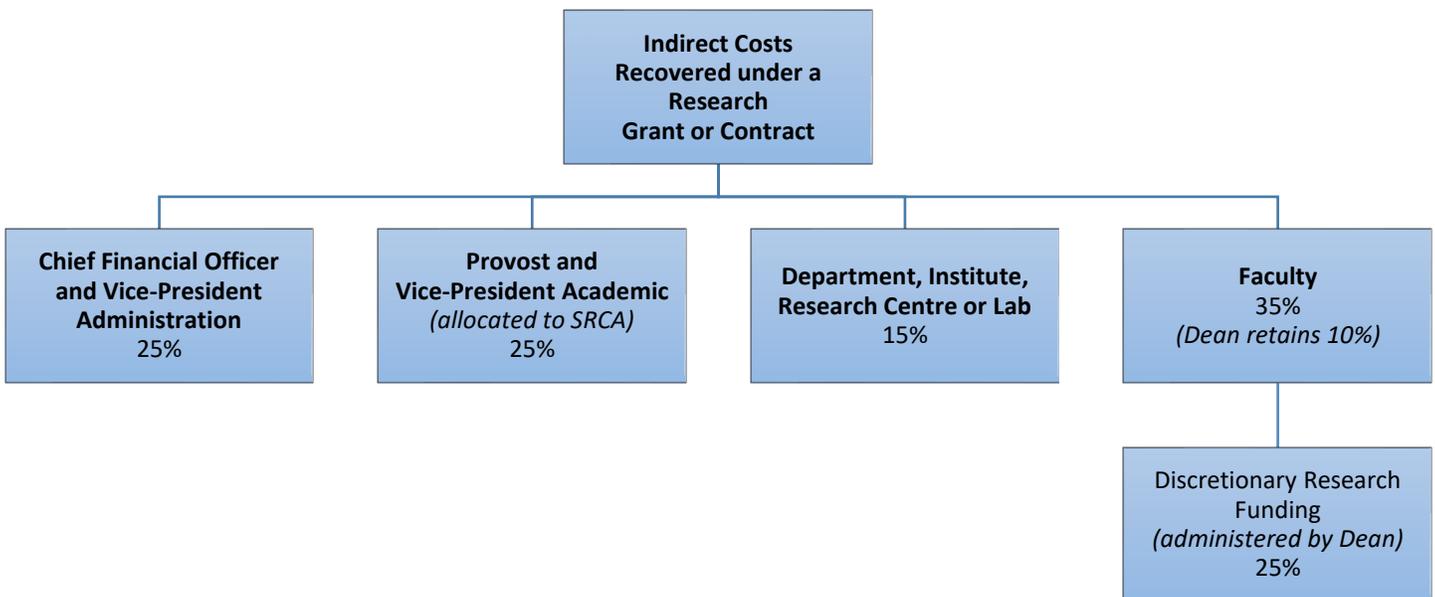
**FORMULA:**  $\text{Total direct project expenditures} \times .25 = \text{indirect cost recovery}$   
 $\text{Total project expenditures} + \text{indirect costs} = \text{total project request from external sponsor}$

**Scenario: Research project with total direct project expenditures of \$40,000 and 25% indirect cost recovery**

Total direct project expenditures (\$40,000) x .25 = \$10,000 in indirect costs.

Total request from funding agency = \$40,000 direct expenditures plus \$10,000 indirect costs for a \$50,000 funding request.

### Distribution of Indirect Costs Recovered Under a Research Grant or Contract



### Principles and Conditions for Lowering or Waiving an Indirect Costs Contribution

Researchers can request a reduction or exemption of indirect costs recovery if certain criteria are met. Possible rationale for reducing or waiving overhead may include:

1. The sponsor has a policy against paying university overhead or indirect costs.
2. The contract enables VIU Researchers to retain a significant interest in a valuable invention or other IP.
3. The contract contains beneficial financial terms for VIU (i.e. prepayment or title to major capital acquisitions).
4. The work is being done with substantial benefits to VIU students for academic credit and carries no restriction on use, publication or ownership of IP.

5. The work will be conducted off campus with very little impact on institutional resources (e.g. does not involve the services of Purchasing, Human Resources, Payroll or use of campus facilities, etc.).
6. VIU recognizes the importance of supporting our community non-profit organizations, many of which have limited capacity to fund research. Researchers may make a case for exemptions based on the size and capacity of small, not-for-profit organizations.

## **Process for Requesting Indirect Costs Recovery Reductions or Exemptions**

To request a reduction or exemption of indirect costs recovery, researchers are required to complete the Indirect Costs Recovery section in Romeo External Grant and Intake Form – Indirect Costs Recovery tab by providing evidence (e.g. inserting a link, adding a narrative rationale, or attaching an email from a sponsor’s representative) justifying the request. Exemptions must be signed-off by each party that would benefit from the funds (e.g. Dean (representing the Faculty) and the AVPSRCA who authorizes on behalf of the institution).

## **Recovery of Research Indirect Costs**

All research grants and contracts vetted by the Scholarship, Research and Creative Activity Office will be tracked in Romeo along with, if applicable, detailed data on the amount of indirect costs recovery expected, the basis for its recovery (on revenue or expenses), and the agreed distribution. The cost centre package prepared by the SRCA office for all new research grants and contracts will include a printout of the expected indirect costs recovery and distribution.

As required, SRCA staff will initiate indirect cost recoveries and distribution by preparing a Journal Voucher (JV) form and submitting it to Finance with a copy to the relevant Dean. Finance will initiate the requested transfers posting them via the 682 Research Overhead object code.

Recoveries received by a Faculty will be administered by the Dean who will disperse any discretionary research funds using the same 682 Research Overhead object code. As mentioned above, funds are not eligible for transfer to a General Research Account (GRA) assigned to a VIU employee.