



Division of Research
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Katha Kissman
President and CEO
Harbor Branch Oceanographic Institute Foundation
5600 US 1 North
Ft. Pierce, Florida 34946

Dear Katha,

The purpose of this letter is to let you know that the FAU Division of Research (DoR) is in the process of reviewing research grant and contract projects to ensure that the fully allowable indirect costs (IDC) is being realized and collected for all grants managed by the DoR. As you might know, the University's federal IDC rate is 49.5%, however, the average IDC rate that is received for the ~\$30M University extramural portfolio is closer to 15.9%.

According to federal rules (OMB A-121 circular and the new, revised guidelines called 'the common rule') IDC is supposed to pay for research related activities that cannot be paid for by direct costs. Examples include administrative support, facility expenses, computers and communication expenses, etc. Under audit rules, IDC is evaluated in terms of this support and if used for direct costs, can affect a reduction in the federal IDC rate and/or a fine. Thus, how we handle IDC needs to be carefully managed.

The DoR provides administrative support that cannot be requested among the direct costs of grants. This support includes pre- and post-awards (sponsored research and research accounting), research integrity and technology transfer, which operates on the IDC at FAU, as is the case at the majority of the Universities across the nation. As DoR continues to refine its services and as the research portfolio increases with larger grants that carry the 49.5% IDC there will be funds that can relieve budgetary support burden on the University and in turn make available funds to reinvest in the units and the faculty that contributed towards the IDC pool. Examples of re-investments that are freed up due to IDC include seed grants and funds to acquire technology as well as operate core facilities.

It is my understanding that the Specialty License Plate (SLP) funds that HBOI Foundation provides stewardship and awards for FAU Harbor Branch researchers, has an up to 15% IDC allowable administrative category as stated in the legislative language. As you know DoR receives 2.5% of these administrative funds towards managing the SLP pre- and post-awards. I would like to discuss with you and the HBOIF Grants Committee increasing the IDC percentage that DoR is receiving to administer the SLP grants. This would be with the understanding that an increase in IDC from the SLPs would increase the pool of IDC in the DoR, which would provide budget relief that enables the DoR to reinvest in FAU Harbor Branch to build core facilities, seed grant programs and technology acquisition.

I look forward to continuing this dialog with you and the HBOIF Grants Committee at your earliest convenience.

Thank you,

A handwritten signature in black ink, appearing to read 'D.C. Flynn'.

Daniel C. Flynn, Ph.D.
Vice President for Research
Florida Atlantic University

Cc: Megan Davis