

US government targets indirect cost agreements

- Auditors claim exceptions were error
- Stanford, MIT cry foul, promise court battle

Washington

GOVERNMENT auditors are threatening to disallow dozens of special research cost agreements with several US universities, a move that could cost the institutions millions of dollars in lost overhead cost reimbursements.

Claiming that government officials had mistakenly entered into special agreements with Stanford University, the Massachusetts Institute of Technology (MIT), the California Institute of Technology, the University of Hawaii and others, auditors at the Defense Contract Audit Agency (DCAA) are trying to have the agreements invalidated. Known as Memoranda of Understanding (MoU), the agreements exempted a small number of universities from normal accounting procedures, to allow them to recover special overhead costs unique to their institutions.

A report completed last week by DCAA, which is responsible for negotiating and auditing overhead reimbursement at about 40 universities, recommended that MIT withdraw about \$22 million of its projected \$131 million reimbursement request. Some \$3 million of that is due to a MoU, which expired in 1990, covering the library. James Culliton, MIT's vice president for finance, says that he had expected that the agreement would be continued while university officials conduct a new study of real library costs; instead DCAA has recommended cutting the library reimbursement rate in half.

Another dispute centres around the cost of the Lincoln Laboratory, a research institution that has been run by MIT since the Second World War. DCAA intends to separate accounting for the two institutions, which would halt the traditional practice of charging MIT administrative overhead to Lincoln Laboratory research budgets. The move could lose the university about \$8 million this year. "We'll take that straight to the court of appeals," warns Culliton. "This is a radical change to an old relationship."

Stanford University is predicting that a similar review at that institution could have even more serious implications. University officials say that a DCAA audit has questioned approximately \$300 million in research costs charged in the 1980s. "To arrive at such a high number," said chief financial officer Peter Van Etten in a statement, "DCAA must have disregarded binding, written contracts between Stanford and the government." Long term MoU

had allowed Stanford to bypass certain record-keeping regulations. But now that those agreements have been questioned, Stanford is afraid that auditors will allow no reimbursement at all, on the Catch-22 argument that the university had not kept proper records.

"The heart of Stanford's dispute with DCAA is not yachts and flowers; Stanford voluntarily withdrew such costs many months ago," Van Etten said. "Rather, the dispute is about the fair, actual costs of supporting research and the government's contractual agreements to pay for those costs." Since the indirect cost scandal broke in 1990, Stanford has repaid \$2.3 million in questioned research costs.

Unlike the MIT audit, in which MoU were only disallowed for current and future costs, DCAA appears to be retroactively questioning all of Stanford's agreements for the past decade. Some of the agreements at Stanford were intended to tailor the standard indirect cost formulas to the actual conditions at the university. Rather than assume the same utility rate per square foot in all campus buildings, for example, a special MoU accounts for the higher utility costs in research laboratories. Last April, the Navy, which oversees the indirect cost agreements that are now under review, cancelled all the Stanford MoU, which effectively lowered the university's recoverable indirect cost rate from 70 to 55.5 per cent of direct research costs. University lawyers filed suit over that move and threaten to do the same if the government attempts to disallow agreements made in the 1980s.

Congressional investigators on the oversight and investigations subcommittee of Representative John Dingell (Democrat, Michigan), who has led the congressional attack against indirect cost abuses, say that the issue stems from fundamental lapses in federal accounting oversight in the past decade. "Government bureaucrats didn't follow their own regulations when entering into these agreements. Nobody was protecting the government's interests," says Bruce Chafin, a Dingell staff member. The Navy has disciplined the accountants who negotiated the original contracts, he says.

Other universities that entered into MoU with federal agencies are still under audit. Caltech spokesman Hall Daily says DCAA is yet to question any of that university's dozen MoU, but that the agency has increased the number of auditors examining Caltech accounts and should

be finishing a report soon.

DCAA is circulating its Stanford and MIT reports to federal science agencies, seeking comment before making a final decision in the cases by 31 January.

Dingell plans to hold a hearing on 30 January, to hear from the various agencies that have jurisdiction over indirect cost reimbursement. Auditors from the DCAA, the Navy's Office of Naval Research, the department of Health and Human Services (which negotiates indirect cost rates with the majority of US universities) and investigators from the congressional General Accounting Office are expected to testify. **Christopher Anderson**

BRITISH SCIENCE

Appeal across water

London

THE pressure group British Scientists Abroad (BSA) has taken to the world's electronic bulletin boards to urge British scientists to mount a letter-writing campaign meant to raise the profile of science policy in the run up to the general election.

BSA, which asserts that present government policies are contributing to a serious 'brain drain' of British scientists, most of whom end up in the United States, wants British researchers — whether at home or abroad — to write to their local member of parliament expressing concern about the state of British science and engineering. The appeal has been posted on a number of the leading global electronic bulletin boards used by research scientists.

Michael Duff, a British physicist at Texas A&M University, hopes that researchers will compose their own letters, but BSA has suggested a draft, addressed to Alan Howarth, minister for science and higher education, which argues that government policies have for many years neglected science, citing a survey which found that only 6.5 per cent of British university teachers believe that scientific research is an attractive career for British graduates.

As a result, the impact of British scientists' publications is declining, the letter claims. BSA wants a substantial increase in government spending on science, but can expect a frosty response to this request from the Conservative government, which says that the state of British science should be measured by its output — always a difficult quantity to measure — rather than by the proportion of British wealth spent on research. The Labour opposition has also made no specific promises about the amount of money that will be made available for science, should it win the election, saying that this will depend on the degree of growth in the British economy.

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