

Stanford Under Investigation

Stanford University's faculty has long complained that the university's indirect cost rate—among the nation's highest—was stifling their funding. But they are not the only people upset by Stanford's ballooning overhead: a federal auditor has now charged that the rate may have been improperly set and monitored. These accusations are contained in an internal memo from the Office of Naval Research (ONR), the agency that negotiates the indirect cost rate with Stanford. The memo, made public last week, charges that a decade of aggressive cost recovery by the Stanford controller's office "may have drifted into areas of abuse." It also suggests ONR may have inadequately policed the rate determining process.

The memo was written last spring by Paul Biddle, an ONR accountant who in October 1988 was assigned to conduct overhead-rate negotiations with Stanford. It was obtained by the *San Jose Mercury News* under a Freedom of Information Act request; Stanford then made the memo public.

The release of Biddle's memo comes at a time when Stanford's indirect costs are already under intense scrutiny. Reports of faculty unrest (*Science*, 20 April, p. 292) triggered an investigation by the House Subcommittee on Oversight and Investigations chaired by Representative John Dingell (D-MI). Meanwhile, both Stanford and ONR—while stoutly denying any wrongdoing—have begun their own investigations.

At the center of all this controversy is the indirect cost rate—the 74 cents that the university charges the government for each dollar spent on research. This isn't a negligible amount, since Stanford conducts \$400 million worth of research annually. And the total may rise further—Stanford has requested a 4-cent increase for the 1990–91 fiscal year, which would give it the highest rate of any U.S. research university.

Overhead charges are designed to recoup the indirect costs of research, such as the costs of utilities, administration, buildings, and building maintenance. The percentage of those services that can be considered to support research at a particular university is set through negotiations with one of two government agencies: the Department of Health and Human Services or the Office of Naval Research. Audits performed later determine whether the rate was correctly estimated, or whether adjustments are needed.

Biddle's memo accuses Stanford's negotiators of padding cost formulas. An alleged example: charging a higher percentage of library expenses than can legitimately be

assigned to research. In addition, the memo alleges, Stanford thwarted audits conducted by the Defense Contract Audit Agency (DCAA). The university, says the memo, delayed the release of information to auditors, then applied pressure through ONR to speed up the audit. The memo suggests that the consequences were substantial: audits were incomplete, and the procedures that led to spiraling costs were never properly scrutinized.

Biddle's memo also suggests ONR may not have been entirely innocent. The memo says Biddle learned that his superiors at ONR had assured Stanford that they would restrict his role if necessary, after Stanford had criticized him for being "not responsive to Stanford management."

If rates were improperly set, it is not clear from the memo whether ONR auditors were sloppy or were actively collaborating to keep rates high. Nor is there any suggestion of what their motivations might have been. Likewise, nothing in the memo indicates whether Stanford was knowingly boosting the rates or merely benefiting from its highly skilled accounting staff.

Stanford and ONR, while denying wrongdoing, have begun investigations into the methods by which indirect costs were set. "We don't know that anything has been done wrong. We have no reason to believe that, but it has been alleged, so we're going to review all the documentation and see," says ONR spokesman Norman Hanson.

Stanford spokesman Larry Horton denies

that Stanford has improperly padded its indirect cost estimates. "They are real costs," he says. "If you're going to fund research, someone has to pay those costs." And Stanford controller Frank Riddle says his office has not tried to block audits: "The implication is that we have been trying to stop the federal government from looking at something that they need to look at. That's untrue."

Stanford began its investigation in July, after Biddle had accused the controller's office of withholding information necessary to complete rate negotiations; ONR's investigation was stimulated by Biddle's memo. The Dingell investigation has been on the subcommittee's agenda since early summer, but was shifted into high gear by publication of Biddle's memo, according to subcommittee staff member Leila Kahn. In the next few weeks the subcommittee and the General Accounting Office will be sending investigators to Stanford.

Among other things, the investigators will be looking for evidence of incomplete or insufficient audits that could have let the indirect cost rate drift higher than it should have. Kahn says they will also try to determine whether "there [was] some kind of arrangement or relationship between Stanford and ONR that allowed them to put the audits off on the side."

Kahn says the subcommittee also plans to investigate other—as yet unnamed—universities, including some whose indirect cost rates are negotiated by the Department of Health and Human Services. Dingell may hold hearings, Kahn says, depending on what the investigations find.

■ MARCIA BARINAGA

Anthropology Goes Back to Ethiopia

After a hiatus of 8 years, the Ethiopian government has given permission to foreign anthropologists to dig in a region that has been one of the world's richest sources of early human and primate fossils. The Ministry of Culture and Sports Affairs has lifted its ban on foreign prehistory research, giving one of the first research permits to University of California at Berkeley anthropologists Desmond Clark and Tim White.

White and Clark will be picking up the thread of an expedition aborted in 1982, when the Ethiopian government banned foreign archeologists, saying it needed to draw up new rules governing their work. New rules have now been adopted and American researchers are quickly returning; White was scheduled to leave for Ethiopia on 20 September.

White has expended years of quiet effort establishing good relations with Ethiopian scientists, including fieldwork over the past 2 years with anthropologist Berhane Asfaw. Asfaw, who earned his doctorate at UC Berkeley, will join White and Clark in their work, with an international team.

The National Science Foundation is seeking \$167,000 in its 1991 budget to renew White and Clark's decade-old grant for research in the Afar basin, the fossil-rich region that gave anthropologists such key fossils as the 3-million-year-old partial skeleton known as "Lucy." "Basically, we know that this is a very rich area which has until now been closed off," says Mark Weiss, NSF program director for physical anthropology. "We're certainly looking forward to what it will yield."

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