

UNIVERSITY OVERHEAD

Stanford, Navy Resolve Indirect Costs

A bitter, 4-year dispute between Stanford University and the Office of Naval Research (ONR) on overhead for federally funded research has been resolved, with both sides claiming victory. But the chief congressional watchdog on the topic, Representative John Dingell (D-MI), says the settlement is a bad deal for the government; he may hold new hearings next year on the subject.

The Stanford saga erupted in 1990 after federal auditors discovered that university officials had improperly billed the government for such nonresearch expenses as the purchase of flowers for the president's house and depreciation of a yacht. The revelations prompted a wide-ranging federal investigation of hundreds of institutions, including well-publicized hearings by the House Energy and Commerce Committee that Dingell chairs (*Science*, 15 February 1991, p. 734). Stanford repaid the government \$2.2 million in 1991, and its president, Donald Kennedy, resigned in the wake of the publicity.

Last week's settlement, under which Stanford agrees to pay the government \$1.2 million, hinges on the validity of auditing agreements, called memoranda of understanding (MOUs), between Stanford and ONR, which audits federal research programs at dozens of institutions. The auditors had argued that the MOUs were vague and covered areas not related to research, prompting the Navy to void them. As a result, Stanford's indirect cost rate dropped from 74% to 55% because the Navy would no longer pick up the tab on a host of charges covered by the agreements. (A 55% rate means, broadly, that Stanford gets paid 55 cents to administer each dollar of federally funded research.)

Stanford appealed the Navy's action, arguing that the MOUs were valid legal documents that couldn't be scrapped unilaterally. These "were not casual agreements" but "formal, written documents that were reviewed by government auditors" before being signed by both parties, says Stanford President Gerhard Casper. The Navy determined this summer that canceling those MOUs was illegal, and it decided to seek a settlement rather than risk losing in court. "The depositions were filed, and it was clear we were going to win," one Stanford official said.

In the end, Stanford agreed to pay \$1.2 million to cover what Casper calls adjustments in closing the books between 1981 and 1992. The university also agreed to drop its claim for \$56 million that it said it had lost when the Navy scrapped the MOUs. Casper said Stanford has already spent \$25 million defending itself, and "rather than expending additional money, time, and energy in litigation,

we preferred to re-establish a healthy relationship with the government."

The settlement may sound like a good deal for the government, but it galls Dingell, his staff, and Paul Biddle, the former Navy investigator who touched off the dispute. Biddle charged that the MOUs were illegal because they rested on what he says were false statements by the university. He estimated Stanford received more than \$100 million in improper indirect cost payments as a result of the MOUs, an analysis that Dingell's staff supports. "In the final analysis, Stanford got \$100 million to \$200 million that it wasn't entitled to," says a Dingell aide. "And there was nothing the Navy could do to get it back."

Casper noted that the Navy agrees in the settlement that it has no claims on the university for fraud, misrepresentation, or wrongdoing. But Biddle says the Navy was not investigating fraud or false claims, and that it could not do so without the written

consent of the Justice Department.

Biddle, who left his Navy job in March 1992, is now pursuing a whistleblower suit that seeks to force Stanford to pay back more than \$300 million in indirect costs, the highest figure named by government officials. Although the Justice Department decided last December not to join in the suit, Biddle is pressing ahead on his own. If he wins, the judge could award him up to 35% of the repayment. "We are going to aggressively pursue our options to reopen this issue," he told *Science*. "This [inquiry] should be conducted in the public courts, not in the back rooms." Casper says the suit "is without merit, and we will vigorously defend ourselves against it."

The settlement also closes a painful chapter in the life of Kennedy, who remains a professor of biological sciences at Stanford. "I have been asked whether I feel personally vindicated," Kennedy said in a statement. "I have never felt in need of vindication. But I am glad to have my faith in the government's processes restored."

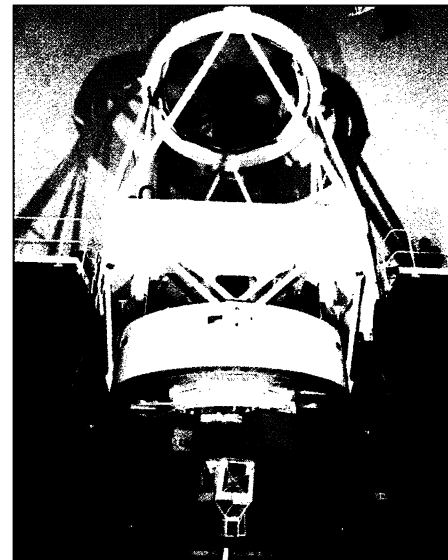
—Andrew Lawler

ASTRONOMY

A Battle Royal Over U.K. Observatories?

Few research institutes can match the proud tradition of Britain's Royal Observatories. Indeed, until Britain's universities began to build up their own astronomy groups in the second half of this century, the two observatories were synonymous with British astronomy. The Royal Greenwich Observatory (RGO), now based in Cambridge, was founded in 1675, while the Royal Observatory, Edinburgh (ROE), can trace its roots back to an observatory formed in the 18th century.

But the Royal Observatories' historic role as the twin hearts of U.K. astronomy may be coming to an end, and the very existence of one or both of the bodies—at least in their present form—may be in jeopardy. A blue-ribbon panel set up by the Particle Physics and Astronomy Research Council (PPARC), which funds and manages the observatories, will soon release a report suggesting that their overseas telescopes, at sites in La Palma, the Canary Islands, and Hawaii, should be run by independent bodies. It will also argue that it's not necessary to have two U.K. observatories to provide these facilities with technical back-up. Instead, a single U.K. technology center—again spun off from PPARC—should support all of Britain's facilities in optical and infrared astronomy. Given the weight of history stacked up behind the Royal Observatories, the proposals are sure to ignite an intense debate. "This is a bit of a hot potato," says astronomer Mike Bode of Liverpool John Moores University.



ROYAL GREENWICH OBSERVATORY

Management change. The William Herschel Telescope and others at La Palma may become independent of the Royal Observatories.

The panel responsible for these radical suggestions, headed by astronomer Jim Hough of the University of Hertfordshire, was asked to chart a future for optical, infrared, and millimeter-wavelength astronomy in the United Kingdom. PPARC is expected to receive its report warmly, especially if the proposed rationalization can save money: Like the U.S. National Science Foundation (*Science*, 21 October, p. 356), PPARC is trying to figure out how to support an expand-