

Universities Face New Accounting Rules

OMB has insisted, over bitter academic opposition, that universities must account more exactly for federal funds

Early this summer, the Office of Management and Budget rebuffed an appeal by the research universities to suspend new accounting rules for federally sponsored research and to negotiate modifications. The turndown by OMB meant that the new rules, product of several years of discussion and dispute, now prevail in the still-reluctant universities.

Precipitating the changes was the rapid growth in the 1970's of so-called indirect costs—the overhead charged by universities to accommodate research projects. These charges were increasing so fast that federal agencies and Congress grew suspicious that money was being diverted from research support into university general funds. Congress sent out word that scrutiny of accounting should be sharpened, and OMB undertook to revise its main guide to university accountability, Circular A-21 (Cost Principles for Educational Institutions).

Currently, the most controversial section of the revised A-21 is that containing demanding new requirements for 100 percent time-and-effort reporting by researchers on federal grants.* University researchers and administrators argue that the new procedures increase paperwork and costs as well as require a level of detail and precision in reporting that is incompatible with a research environment.

After OMB rejected the final bid for renegotiation this summer, university strategists speculated that a spontaneous reaction by faculty against the reporting requirements might carry weight with OMB. But despite formal protests against the revised A-21 by the National Academy of Sciences and other organizations and scattered declarations from university departments of intentions not to sign the forms, no faculty rebellion materialized.

In fact, most faculty members are only now facing up to the revised requirements. The new system went into effect on most campuses during the summer

lull. Each institution was expected to prepare its own reporting scheme to fit the new rules and explain it to its faculty. Only after the reports have been filled out, filed, and audited is a clear picture of the effects of the new rules likely to emerge.

Government officials tend to take the view that the research community is overreacting to reasonable requirements. This view was evident in mid-May at a meeting at the National Institutes of Health, a sort of encounter session involving major interested parties. John Lordan, chief of the financial branch of OMB, which spent 3 years revising the rules, showed some irritation with the academic community for persisting in trying to carry the debate further.

Lordan observed that the proposals

an organization of leading research universities in which top university officials are active, that bore the major burden of negotiating with OMB.

As a result, much attention was given to changes in the rules for computing indirect costs, a subject that involves highly complex accounting questions with which university central administrations are intensely concerned. One such change is a shift in the method of charging for central services such as computer centers and animal facilities. The government's aims are unexceptionable—to allocate costs specifically to those who incur them and to have users understand the full costs of the services they are using. The main effect, according to university spokesmen, will not be to save money, but to complicate record keeping and actually increase such costs.

Grants and contracts should be accounted for more strictly, says OMB, because they are "hard-earned tax dollars we have to take away from people."

were discussed extensively and that OMB received more than 300 comments on an initial draft. He said that the final version contained a number of modifications to accommodate the special needs of the research universities.

The universities must "establish credibility with the public," Lordan said, by accounting more strictly for grant and contract funds. He noted that, after all, research money comes from "hard-earned tax dollars that we have to take away from people." As for further changes in A-21, Lordan told university representatives, "We consider our job is done. Implementation on the campuses is now your job."

A point on which all parties seem to agree is that the views and interests of individual researchers were not adequately represented during the crucial, early period of the discussion. Until recently, those speaking for the universities have been mostly administrators and financial officers. And it was the Association of American Universities (AAU),

Underrepresentation of faculty views in the negotiations resulted in less attention being paid to the time-and-effort reporting requirements that are most galling to faculty. The omission is noted in a letter on the final phase of the negotiations from AAU officials to OMB director James T. McIntyre: "In retrospect we see that we should have focused our arguments on the 100 percent reporting requirement."

Although the effects of the new reporting requirements are hard to quantify at this stage, universities have been preparing for the changeover, and it is possible to make some estimates.

At Stanford, for example, the volume of paperwork produced by time-and-effort reporting in terms of the number of reports required is expected to rise from 3,000 to about 80,000 a year. The cost of installing the new reporting system is put at between \$250,000 and \$300,000.

Generally, the paper chase will increase. Stanford, like other universities, has been required to submit one quarter-

*The controversial time-and-effort reporting requirements demand that "Each report will account for 100 percent of the activity for which the employee is compensated and which is required in fulfillment of the employee's obligations to the institution. The report will reasonably reflect the percentage of activity applicable to each sponsored agreement, each indirect cost category, and each major function of the institution."

ly reporting form for faculty in each department. Now it will be necessary to file a form for each researcher. The rough estimate is that each faculty member will initially spend two to three times more effort in reporting than before. The impact on administrators will be greater. The burden on principal investigators will be increased because they will be required to sign off on each form, certifying that it is reasonable.

Opposition to A-21 continues to be expressed in resolutions by scientific societies and in articles and editorials in *Science* and other journals, but grassroots protest has not ignited. Some faculty, however, obviously see a precedent in an incident in the 1960's when a bud-

get bureau mandate, tightening reporting requirements, was withdrawn after protests by scientific organizations and refusals by numerous scientists to sign report forms. The issue is cropping up on faculty senate agendas and professional meeting programs this fall, and critics of the new rules expect that faculties' first encounter with the new reporting system will kindle reactions.

The essentials of the universities' general case against the new rules are stated in a resolution passed by the National Academy of Sciences at its annual meeting in Washington in April. While supporting the principle of accountability, the academy asked OMB to reconsider its position:

Application of these new regulations to institutions of higher learning would further constrain the already limited flexibility in research thrust, increase the administrative burden, reduce morale among teaching and research personnel, and provide a cumbersome, meaningless documentation in terms of percent-of-effort for a continuum of scholarly activities. Moreover, because these regulations would monitor non-federally supported academic functions as well, inappropriate controls might be exercised.

The dispute over auditing has been building over the past decade. Government auditors, increasingly, have rejected as inadequate documentation provided by researchers. A recent General Accounting Office report, for example, found that some \$86.5 million in charges

Campaign 80

Carter on Continuous Creation . . .



President Carter, with the assistance of the Office of Science and Technology Policy, has set forth his views about the creation of the world. His statement was made available to *Science* by White House science adviser Frank Press.

"The scientific evidence that the earth was formed about four and a half billion years ago and that life developed over this period of time is convincing.

I believe that responsible science and religion work hand in hand to provide important answers concerning our existence on the earth.

My own personal faith leads me to believe that God is in control of the ongoing processes of creation.

Insofar as the school curriculum is concerned, state and local school boards should exercise that responsibility in a manner consistent with the Constitutional mandate of separation of church and state."

. . . Reagan on Intermittent Astrology

Having already declared his views on creation (*Science*, 12 September), the Republican presidential candidate recently turned his attention to astrology. In response to a query instigated by the Federation of American Scientists (FAS), Ronald Reagan obligingly informs us that astrology really isn't his thing.

"Let me assure you that while Nancy and I enjoy glancing at the daily astrology charts in our morning newspaper (when we are at home, which isn't too often these days), we do not plan our daily activities or our lives around them. I can honestly tell you they have never played a part in decisions I have to make nor will they," he wrote. Among those making the inquiry on behalf of FAS were Nobel laureates Julius Axelrod, Owen Chamberlain, Robert Holley, Salvador Luria, and Burton Richter.—BARBARA J. CULLITON



has been set aside as not "auditable." This meant that about 5.7 percent of a total \$1.5 billion in grants was questioned. Only about 0.23 percent was reported as not properly charged.

On the university side, there are complaints of changes in the way auditors interpret the rules. A widely held view is that the real trouble began when the Department of Health, Education, and Welfare a decade ago took over as lead auditing agency from the Department of Defense. Auditors from the Department of Health and Human Services (successor to HEW) are regarded as quicker to apply commercial auditing practices and as insensitive to the special characteristics and problems of universities.

Is A-21 graven in stone? In a few cases universities have been granted delays in implementing it, but the delays have been allowed by department auditors from DOD or HSS. OMB officials say that the delays signify no change of policy. OMB has ruled out any early overhaul of the circular, but Lordan notes that the National Commission on Research recommended that the issue be reviewed in 3 to 5 years, and he agreed that such a review might well be in order then.

In respect to time-and-effort reporting, Lordan recently expressed OMB's willingness to experiment with sampling methods to arrive at standard costs for some types of administrative activities. He said that experimental projects at several universities will be authorized. If it proves possible to establish statistically an acceptable estimate of the time that "everybody spends" on administering grants, for example, such an estimate could be used in reporting.

Lordan added that the test of statistical sampling is "evidence of good faith. We are prepared to go further, if it works here, on other aspects of documentation." Lordan said, however, that he does not see how researchers, working with support from two or more grants, could get away from detailed reporting.

A persistent difficulty has been the varied viewpoints of the major players. On the government side, legislators, agency program officials, and auditors all have differing priorities. In the universities, administrators and faculty have viewpoints and interests that are often significantly at odds. What has made the dispute over the nexus of federal-university relations a chronic one has been the collision of these agendas. And in what is in some sense a clash of two cultures—scientists' and auditors'—the present Washington predilection for accountability makes it easier for the auditors to explain their case.—JOHN WALSH

NIH Bills: Legislators May or May Not Compromise

As the current congressional session draws to a close, legislators appeared unlikely to pass a bill that would give themselves more control over the National Institutes of Health. But the legislation was given a new lease on life by a potential compromise between its competing sponsors, Representative Henry Waxman (D-Calif.) and Senator Edward Kennedy (D-Mass.).

Late Friday afternoon, 19 September, aides to the subcommittee which Waxman chairs served up ideas for a compromise that Kennedy's staff decided to consider.

The decision surprised scientists because the senator just 5 days earlier was refusing to compromise with Waxman. Much to the delight of biomedical lobbyists who have bitterly opposed Waxman's bill, the senator's no-compromise position would in effect kill both measures for this session whether or not the two legislators meet in House-Senate conference. (*Science*, 26 September 1980, p. 1497.)

The House subcommittee aides offered to throw out one provision that Kennedy opposes while retaining another to which the senator objects. They offered to forego voiding a statute that allows NIH to obtain continuous funding even if Congress fails to appropriate the money by the end of the institutes' fiscal year. However, Waxman aides' stuck to their guns on a measure that would require periodic review of NIH's budget authority. Though Kennedy is considering the proposals, "no clear resolution is apparent," says a member of the Senate subcommittee staff.

Initial reaction of several scientists interviewed by *Science* were negative to the Waxman proposals. All along, they have objected strongly to reauthorization, fearing that the process will allow legislators to amend bills with favorite projects that may disrupt biomedical research.

The bills seemed doomed recently after Kennedy met 15 September in an unusual gathering with university presidents and deans of medical schools, who called the meeting to persuade the senator not to compro-

mise with Waxman. Among those attending were seven university presidents and four deans of medical schools from institutions including Stanford, Yale, and Harvard; James Sammons, executive director of the American Medical Association; and Theodore Cooper, former assistant secretary of the Department of Health, Education, and Welfare. The biomedical establishment views Kennedy's bill, which sets up a presidential advisory council on biomedical affairs, as relatively harmless compared to Waxman's bill.

Kennedy, who was already considering no compromise, came away convinced that he should hold his ground and oppose reauthorization.

Waxman had accepted an invitation by Kennedy to attend the meeting but at the last minute, "sent his regrets," a Senate subcommittee aide said. A House staff member said Waxman failed to show because he was busy working on other bills. The aide said, "He's talked to those people already."

Some lobbyists speculate that Kennedy may be willing to compromise on reauthorization to keep up good relations because he and Waxman must work together on future legislation. But because the most recent proposals by Waxman's aides are more palatable than the original bill, "Kennedy is in a good position," one lobbyist says. "He looks like a hero either way, with a compromise or not."

Kennedy's block of the House bill would be a substantial defeat for Waxman. The congressman worked hard to gain heavy support in the House where the bill passed unanimously in subcommittee, drew 23 out of 24 votes in full committee, and recently passed 292 to 48 on the floor.

Part of Waxman's success was, perhaps, because of a letter he circulated before the final vote was taken, an NIH official says. The letter, signed by NIH director Donald Fredrickson and assistant secretary of health Julius Richmond, expresses support for Waxman's bill. The letter was written at the request of secretary of health and human services Patricia Harris. But the relationship between Harris and Fredrickson is reportedly strained because of language in the House bill that strengthens her authority over the director. Fredrickson is said to oppose the bill and signed the letter "only under some duress," said the official.

"That is absolute nonsense, not