

Was Paul Biddle Too Tough on Stanford?

The Navy negotiator found Stanford's indirect costs too high. Now he's gotten a little "help" from his friends

THE NAVY MAY NOT HAVE MADE PAUL Biddle walk the plank, but he's no longer in command of his ship. Biddle has been causing a ruckus since last summer over indirect costs at Stanford University. As the representative of the Office of Naval Research (ONR) on the Stanford campus, Biddle's job was to negotiate the overhead rate at which the university is entitled to recover the indirect costs of doing government-sponsored research. But not long after he arrived in October 1988, Biddle, who has been seen as a hard-nosed, by-the-book accountant, became suspicious of what he considered a "cozy" relationship between Stanford and his ONR predecessor. This coziness, he felt, led to an indirect cost rate of 74%, one of the highest in the nation. Last summer Biddle's charges sparked investigations by Congressman John Dingell's subcommittee on oversight and investigations, the ONR itself, and even Stanford. For his part, Biddle simply blocked all government payments to the university, in protest over the high rate.

Last month, in the middle of the tempest, the Chief of Naval Research sent in a special team to effectively take over Biddle's work. The team quickly negotiated a new interim indirect cost rate with Stanford of 72%, which is six points lower than the university thought it was entitled to—but much higher than Biddle felt was justified. The team also rapidly unblocked the payments that Biddle had held up for the past 2 months.

Not everyone agrees that Paul Biddle was shouldered aside. "We have not diminished [Biddle's] responsibility in any way," claims John Ford, leader of the special ONR team. "We are actually assisting him in his role." But Biddle—who has been made a member of the new team—now answers to Ford, rather than handling the negotiations himself. Ford has signed payment vouchers that Biddle had refused to sign and has presided over the negotiation of an interim indirect cost rate Biddle would not agree to.

It is clear that Stanford doesn't have a warm, fuzzy place in its heart for Biddle. Assistant controller Janet Sweet, quoted in a November article

in the *Stanford Daily*, a student-run newspaper, criticized him for tardiness in completing "even the most routine matters," and described him as being "full of venom" in his relations with the university. Biddle's side of the story is tougher to get at, because with the exception of two closely monitored interviews for the *Daily* story, the ONR has refused to allow him to talk to the press. The *Daily* article portrayed him as a strict, green eyeshade type who was highly critical of the dealings between Stanford and ONR regulators in the 1980s.

Despite Stanford's displeasure with Biddle, university spokesman Larry Horton says the administration never asked that he be replaced. What Stanford did ask ONR, Horton says, was that a provisional rate be established and the overdue payments be made. That request, says team leader Ford, "convinced Admiral Miller [Chief of Naval Research] that the special team needed to be formed and sent in to help Paul administer his functions there as resident representative."

Much of Biddle's allegations center on special agreements called memoranda of understanding (MOUs). These agreements, which are used at other universities as well as Stanford, allow the recovery of verifiable costs beyond what would be recovered if the school simply followed the payment formulas provided by the government. In October, Biddle stopped signing vouchers for all direct and indirect cost payments due to Stanford, argu-

ing that the MOUs on which the overhead rate was based were unsupportable. He had threatened to terminate all of Stanford's MOUs, an act that could have brought the university's indirect cost rate crashing down from 74% to 52%.

If that was arguably too lean a diet, what should the indirect cost rate at Stanford be? The San Jose *Mercury News* revealed, also last October, that a confidential report by the Defense Contractor's Audit Agency (DCAA), whose responsibility it is to audit ONR's negotiations, could only justify 62 percentage points of the 78% that Stanford had requested. The DCAA report was not final, however. Stanford has already submitted a rebuttal that DCAA must consider before making its final report.

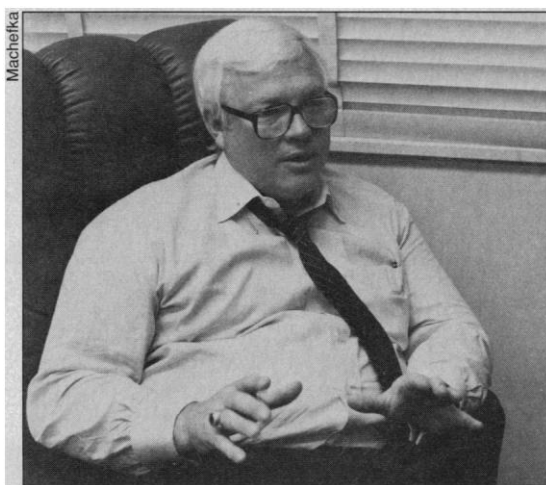
DCAA's most serious concerns focus on only 5 of the 78 percentage points, which Ford says is why he settled on an interim rate in the low 70s. "I could have been very arbitrary," he says. "I could have cancelled all the MOUs and rolled the rate back to 52%. Then the question is [whether that is] a reasonable, prudent approach. Do we have enough supporting documentation to say that 52% is going to be the rate that prevails, or is the rate going to be 70% [or more]?"

Ford stresses that the material supporting the rate is being reviewed, and the rate is subject to change, up or down, effective 1 September 1991, if ONR finds that it can't be supported. "If we make the determination that the rate goes back to 69%, we can recover that money almost immediately" by subtracting the difference in payments since 1 September from the next set of vouchers Stanford submits, Ford says. "I can recover with the stroke of a pen."

Stanford, on the other hand, risks not being able to recover what is due to it should the final rate be greater than the interim rate. During the interim period, which may last many months, Ford said, Stanford will have to accept grants at the interim overhead rate. "If the rate turns out to be more . . . they have to go back to each contracting agency and get them to amend those contracts and put additional money in," Ford says. "They may get all of the money or may not get any of it."

Whether Stanford gets all its money back or not, the recent moves at Stanford's ONR office—including the changes relative to Biddle and the renegotiation of an interim rate—have left staff members on Dingell's subcommittee wondering whether ONR is being soft on Stanford, according to one Dingell staffer who asked not to be identified. "We are concerned that this might be an attempt to cover up problems" in ONR's past relationship with Stanford, she said. That suggests the Dingell investigation is far from over.

■ MARCIA BARINAGA



I get by with... Paul Biddle, the Office of Naval Research's on-site representative at Stanford.