scientists are now feeding laboratory fish," wrote AScI research biologist Joseph Tietge in a statement prepared for a Dingell hearing last month. Meanwhile, says one of the EPA scientists in Duluth, "morale is very low because people aren't able to proceed with their work."

The same may be in store for other EPA labs. Currently the OIG plans to release a report on the lab in Athens, Georgia, around October, and one on the Narragansett, Rhode Island, lab early next year, says Ed Morahan, executive assistant to the inspector general. And OIG investigators are gearing up for audits of the labs in Corvallis, Oregon, Gulf Breeze, Florida, and three labs in Research Triangle Park, North Carolina. Erich W. Bretthauer, an assistant administrator at EPA and chief of EPA research, says he "doesn't have any reason to believe" that the auditors will turn up any problems as serious as the alleged problems at Duluth, but a Dingell staffer isn't so sure. "We're afraid they're going to find more," she says.

Officials at the laboratories being audited are bracing themselves for a rough few months. Even before the auditors render a verdict, the process will result in "abnormally long delays in completing some research projects," predicts Bob Swank, director of research at the Athens laboratory, which conducts research on such things as ecological risk assessment and artificial-intelligence systems for predicting chemical reactivity. "We're all sort of looking over our shoulders," adds John Menzer, director of the Gulf Breeze laboratory, which specializes in ecotoxicology and microbial ecology.

Even before the reports are out, EPA is moving to tighten its contract management. Earlier this month, an EPA task force issued a set of recommendations on how the agency should go about doing this. "We'll be phasing out, scaling down, and canceling contracts to a greater extent than we've done in years," says Christian Holmes, the agency's chief financial officer and an assistant administrator. Already, EPA has canceled one contract with Falls Church, Virginia-based Computer Sciences Corp. and revised another, as a first step toward what Holmes call "changing the basic culture at EPA."

Outside investigators aren't impressed. A GAO official pointed out in testimony before Dingell earlier this month that this isn't the first time that EPA has devised initiatives to deal with its contracting problems, and the agency has "repeatedly failed" to correct them. Holmes insists that EPA is serious this time. But he has a lot of convincing to do. Dingell and other watchdogs are already gearing up to judge whether Holmes and Martin have succeeded in severing—or only temporarily untangling—EPA's family ties with the contracting community.

–Richard Stone

RESEARCH FUNDING

HHS Starts Audit of Grant Fund Use

It's a researcher's nightmare, although it starts innocuously enough. Dr. X gets a grant from the National Institutes of Health (NIH), and although it's less than requested, Dr. X is delighted and begins buying equipment and hiring staff. Then comes an ominous knock on the lab door and in walks an auditor from the Department of Health and Human Services (HHS) who has found out that Dr. X used the grant to buy a refrigerator that the grant's peer-review panel decided wasn't necessary. And so the auditor orders workers to haul away the refrigerator.

True, this scenario sounds farfetched, but a version of it could come to pass pending the outcome of a nationwide survey of institutions receiving NIH grants that is just getting under way. The audit's goal is to see just how often investigators buy equipment peer-review panels say they don't need. A preliminary survey already conducted showed that such spending does occur, and HHS feels justified in going forward with an expanded audit. "We're spending a great deal of money on peer review," says Roy Wainscott, an audit manager for HHS. "If peers are the best people to say how money should be spent, then why should that be ignored and let the money be spent however the investigator wants?"

Nobody argues that there's anything illegal going on here. Wainscott readily admits that shifting funds from one account to another within a grant is perfectly legal, but he wonders if spending money on an unapproved item is in the best interests of the taxpayers. Although no one is prepared to say exactly what will happen if the audit shows the practice is widespread, possible outcomes include requiring extra justification for shifting money within a budget, or changing the rules to make such manipulations illegal.

Even though the practical consequences of the survey are still speculative, the audit is already raising hackles among NIH grant recipients and officials. "Before the Inspector General's office wastes a lot of money, they ought to talk about the attitude of NIH on flexibility," says David Blake, senior associate dean at Johns Hopkins University School of Medicine. His point is that for the past few years, NIH has been pushing to make it easier for institutions to shift money from one account to another inside a grant. For example, NIH participates in the Federal Demonstration Project, a grant administration system begun in the 1980s to reduce the paperwork previously needed to reprogram budgets. John Diggs, deputy director for extramural research, agrees that his agency has been trying to maintain flexibility in the way researchers may spend their awards. "It would be a terrible mistake to take that away," he says.

The audit plan's critics also say that it's based on a misconception about the meaning of peer recommendations in the grant approval process. Peer-review panels—known variously as Initial Review Groups (IRG) in NIH-speak or study sections in the scientific community's vernacular—are supposed to evaluate both the scientific merits of a research proposal and whether the budget requested for the grant is appropriate. More often than not, a panel will recommend a reduction in the direct cost of a grant, often by making specific suggestions of what to cut—such as approving money for two refrigerators when the grant application requests money for three.

But, says microbiologist Ken Roozen, now vice president for university affairs at the University of Alabama, Birmingham, and a former peer-review panel member, what the bean counters miss is that peer reviewers don't always have detailed information about the resources available to a researcher at his or her institution. Hence, says Roozen, their recommendations can't be irrevocable. "The specific allocation of funds has to be done by the principal investigator," says Roozen. "It's not an appropriate role for reviewers." Indeed, agrees Jerome Green, director of NIH's division of research grants. "If the award says 'thou shalt not buy a googolometer,' then the funds cannot be used for that purpose. Otherwise, the money in the award can be reprogrammed."

Defends flexibility. NIH deputy director John Diggs would retain ability to shift funds.

There is an ironic twist in all this. After arguing for years that funding choices should be based only on peer review, and not, for example, on political priorities, scientists now have to explain why they think following peer review recommendations could be taken too far. It will require some careful arguing for the scientific community to avoid being hoist on its own petard.

–Joseph Palca