The indirect-cost accounting system is the result of years of negotiation and accommodation between the major college contractors and the government agencies they dealt with. Since all contracts are voluntary on the part of both parties, the government cannot unilaterally change the cost-allocation system. "It will only happen if they can get anything this swamping in," a Defense Department auditing official told The Tech.

But the bargaining table leans to the government's side, since many institutions -- smaller colleges with less research clout -- will happily accept an arrangement with smaller overhead payments. The big institutions are concerned, and their Washington representatives -- the National Association of College and University Business Officers (NACUBO) and the American Council on Education (ACE) -- are joining forces to fight the HEW proposal.

Contracts with the federal government -- and, following that precedent, with most private contractors -- specify that a percentage of the direct costs -- salaries and materials -- must be paid to cover indirect costs. The percentage is reached by negotiation between the government and the institution on the basis of "broad, school-wide averages," Jones said. MIT's current rate is about 58 percent, which means that a salary-only contract breaks down at 65 percent salary and 33 percent overhead.

The changes have come because of basic shifts within the government research systems, according to Paul V. Cusick, vice president for Fiscal Relations. The Department of Defense, once far away and the biggest federal contractor, has been supplanted by HEW, and so major rule-making authority has flowed from it to HEW, which now audits only five of the 200 main institutions, to HEW, which audits 180 colleges.

"When it was decided that the agency with the major contract dollars should be the trend-setting agency," Cusick explained, "HEW wasn't ready for it. They didn't have the staff to cope. They had to go into industry to get accountants and auditors.

And when auditors trained in industrial accounting started looking at college's books, "the foxes are the hens," Cusick said. "In effect, with college costs, you have seen the biggest change in a long time."

The HEW regulations, Jones said, would keep the basic principle of college-government contracts: that colleges recover "full cost" of research. The difference is just a matter of defining what "full cost" means -- and implementing a workable system which will please colleges and the government alike.

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