Government Agencies Present Findings to House Subcommittee

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DCAA and ONR presented testimony concerning Stanford, MIT, and Pennsylvania State University, among others. For the first time, the DCAA said it had two disagreements with MIT's budget for fiscal year 1990, noted that MIT had not had sufficient time to respond to them. The agency contested the billing of a biology research and limitations used by trustees to take Corporation members to meetings during FY 90. MIT's FY 92 audit is still being edited, Culliton said.

Culliton justified the retreat as "totally valid research," saying there was an agenda and that about 40 professors and 300 graduate students presented speeches about research they had performed. He said that the limitations in question were actually MIT Corporation cars, and that because Corporation members do not receive compensation for their work, it is reasonable that their transportation costs were covered. He added that if the Corporation members had been transported by taxi, the charge to the government would have been considered appropriate.

None of these costs will be allowed under the new OMB standards.

In response to the GAO’s criticisms, the DCAA admitted there had been an oversight in regard to 175 Albany St. MOUs contain withdrawal terms.

The DCAA testified that it had sought a legal opinion from ONR counsel to justify its actions regarding the retention of MOUs. The MOUs can be retracted if the university does not follow the terms of the agreement, if the government thinks the agreement is no longer beneficial, or if a retraction is allowed in the terms of the agreement, a national DCAA spokesman said.

The DCAA had approved all of MIT’s MOUs in February 1991, saying that "we have determined that in all cases the contractor [MIT] is in compliance with the terms of the MOUs and the bases for the MOUs are reasonable." However, it changed its stance in a September 1991 report, saying that eight of the MOUs “are, in some respects, inadequate to ensure equitable distribution of costs to government-sponsored awardees."

“We recognize the government’s right (and MIT’s obligation) to discuss reasonable revisions, where appropriate, on a prospective basis, but object in the strongest possible terms to the government’s attempt to retroactively alter MOUs negotiated by MIT in good faith,” stated MIT’s response to the FY 92 audit.

One MOU that qualifies concerns the library cost recovery rate. The 49 percent rate fixed by the MOU for five years was advantageous to the government, claimed Culliton. During those five years, MIT suspended the regular studies it uses to validate the recovery rate, he added.

The DCAA suggested in its audit that the recovery rate should have been 21 percent for some of that period.

The agency claimed its "analysis of the library cost recovery indicates that a single research recovery rate is not equitable because the costs of the libraries do not closely correlate with the distribution of research by school."

They said that the libraries in the Schools of Architecture, Humanities and Social Science, and Management cost about 50 percent of the total library cost, but account for only 4 percent of research.

Foreign rates lower

Dingell also expressed concern that certain universities offer lower indirect cost recovery rates to foreign governments.

"We are curious why these universities negotiate for top dollar plus some when dealing with the American taxpayers, but give preferential treatment to foreign governments and other people," he said.

The HHS testified that 10 of the 54 schools it audited charged lower rates to foreign governments and public interest organizations.

Reasons for this practice included "a greater concern for adding to a body of knowledge in a particular discipline than for obtaining the highest possible recovery of overhead," encouraging "the development of young researchers" and helping certain public interest organizations which impose limits on reimbursement of indirect costs.

"I went from house to house, getting any food or clothes they would give me. Then I handed it all out to any needy people in the neighborhood."

— Jack Twall

January 31,