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PENN WON'T BILL U.S. FOR PRESIDENT'S HOME
Philadelphia Inquirer (PI) - WEDNESDAY May 8, 1991
By: Gilbert M. Gaul, Inquirer Staff Writer
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TEXT:

In the midst of a sweeping national investigation, the University of Pennsylvania has decided to stop spending tens of thousands of dollars a year in federal research money to maintain the stately residence it provides rent-free to its president, Sheldon Hackney.

Penn made the decision last month as federal auditors were examining the university's books as part of an investigation into how millions of dollars in federal research grants are spent by some of the nation's elite universities. The audit at Penn started in mid-March.

Penn's move followed disclosures that Stanford University had billed the government for depreciation expenses on a 72-foot yacht, \$6,000 for cedar-lined closets in the home of university president Donald Kennedy, and \$1,000 a month for Kennedy's laundry bill.

The audit begun in March by the federal Department of Health and Human Services (HHS) is continuing, according to Alfred F. Beers, Penn's comptroller.

"They have promised us an exit conference," Beers said yesterday. "I don't know what they are coming up with. I wish I knew."

Penn is not the only university being examined by federal auditors. After the Stanford disclosures, investigators from the Inspector General's Office at HHS fanned out across the country to look at the books of approximately 50 universities.

Audits also have begun at Harvard, Yale, Dartmouth, Cornell, Johns Hopkins, the Massachusetts Institute of Technology, the University of Southern California, and the University of California at Berkeley, according to congressional sources.

Some of these universities also have agreed to withdraw or pay back an estimated \$3 million in research-related overhead charges, the sources said.

"The institutions are surrendering faster than we can get to them," said a staffer on the House Energy and Commerce subcommittee on oversight and investigations. The subcommittee has a hearing planned tomorrow in Washington.

Last month, Beers informed Rep. John D. Dingell (D., Mich.), who heads the subcommittee, of Penn's decision to exclude "any costs associated with the home of the university president or with institutional dues for memberships in various professional associations" from future requests for federal research dollars.

Beers wrote Dingell April 19 that the school was taking this step "because of concerns expressed about certain charges . . . at other institutions."

It is still Penn's position that the allocation of part of these "indirect costs" to research grants is legal under federal guidelines, Beers said in the interview yesterday. Nonetheless, the university decided to stop billing the government "because of the perceptions that these are not proper."

He said the decision would affect negotiations for federal research dollars that Penn expects to receive in fiscal 1993, which starts July 1, 1992. It could result in Penn's losing \$40,000 to \$50,000 that the federal grants would have provided for expenses at Hackney's home at 3812 Walnut St. and membership dues that Penn pays to organizations such as the Association of American Universities.

Last year, Penn received \$133 million in federal research money, said university spokeswoman Carol Farnsworth.

Beers said the university had no plans to repay the government for years in which it charged a percentage for depreciation and operating costs of Hackney's home to its overhead for federally funded research.

He said Penn had negotiated those costs as part of a fixed payment the university received for federal research. Thus, he repeated, it was the university's position that the charges were proper.

Penn last negotiated such an agreement in fiscal 1987, and it covered rates from fiscal 1989 through fiscal 1992, Beers said.

Beers said that Penn included a portion of the depreciation costs and the expense of operating Hackney's house in its federal grants because "the first floor of the president's residence is really a public area. It's used for faculty receptions and the like. It is used in some cases for small gatherings, for a symposium the president teaches. There's a whole host of uses it is put to."

Farnsworth said that Hackney agreed to live in the house "at the request of the university" when he was hired in 1981. The university does not pay real estate taxes on the property, she said.

CAPTION:
PHOTO (1)

1. Residence of Penn president Sheldon Hackney at 3812 Walnut St. (The Philadelphia Inquirer / AMY HUNTOON)

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