

Case Study One – John Palmer

John Palmer, a Departmental Administrator in the Department of Chemistry at USC, is looking over an NSF proposal prior to sending it to the Department of Contracts and Grants. He notices that the PI, Professor Matt Woods, has included as a consultant a long-time collaborator, Professor Lee at UCSD. As John scans the budget, he sees that a graduate student with an unfamiliar name is included on the list of USC's personnel. As he checks the other budget items, he is struck by the amount included for supplies since it is about double the amount Dr. Woods usually includes in his proposal budgets.

When John goes to his office to ask about these items, Dr. Woods tells him he is trying to reduce the budget by paying Dr. Lee as a consultant. Dr. Woods also indicates that he plans to re-budget the award later and pay the graduate student as a consultant too. "This will save on indirect costs and fringe benefits," says Dr. Woods. "And look, we can either send Dr. Lee the money for the supplies as part of the consulting arrangement or buy the supplies and have them shipped to her. Dr. Lee and I have been collaborating for years. We've always shared data and research materials, and we don't need a lot of red tape. It doesn't matter to her how she gets her money."

As John returns to his office, he continues to be troubled by this approach, especially when a couple other concerns come to mind. He decides to phone Dr. Woods. "Professor Woods, I think there some other problems with this consulting idea. If Dr. Lee and the grad student are consultants, they won't have any rights to the data. And I think if you pay them as consultants, they won't have taxes withheld and they might have to pay taxes out of their pockets."

Dr. Woods becomes exasperated. "John, I know what I am doing! Dr. Lee and I are collaborators. Doing it my way makes my proposal more attractive since I don't have to include indirect costs for UCSD as well as USC. I didn't think about the tax question, but we can figure that out later. Just get the proposal over to Contracts and Grants and I'll re-budget later if I need to."

What should John do?