National Aeronautics and
Space Administration

Office of Inspector General
Washington, DC 20546-0001

JAN 3 0 2006

TO: Chief Education Officer
Procurement Officer, Goddard Space Flight Center

FROM: Assistant Inspector General for Auditing

SUBJECT: Final Memorandum on the Review of NASA's "Classroom of the Future" Cooperative Agreement with Wheeling Jesuit University (Assignment No. S0501300)

Executive Summary

The Office of Inspector General (OIG) reviewed the NASA "Classroom of the Future" (COTF) cooperative agreement (Agreement) with Wheeling Jesuit University (WJU).[1] We conducted this review in response to complaints received alleging misuse of Federal funds and other improprieties under the Agreement. Specifically, the allegations asserted that WJU COTF Program managers (1) improperly fired several WJU employees, (2) improperly awarded sole-source subcontracts to organizations with which they had a personal affiliation, and (3) improperly expended program funds performing tasks that were not authorized by NASA and were outside the scope of the Agreement. Based on our fieldwork, we concluded that the first two allegations were not substantiated. However, the third allegation, relating to WJU expending program funds on tasks that were not authorized by NASA and were outside the scope of the Agreement, was partially substantiated.

Although our review was limited to the current Agreement (cooperative agreement NCC5-451), valued at $11.3 million, NASA has spent a total of approximately $52 million in support of the COTF Program through a series of sole-source grants and cooperative agreement awards to WJU since 1990 (see Appendix B, Table B-1 for a chronology of those awards). There were several appropriation earmarks directing NASA's sponsorship of the COTF Program (see Appendix B, Table B-2).

During our review, we found that the Agreement had poorly defined descriptions of the specific work to be performed and the program objectives to be accomplished, which contributed to financial and administrative oversight problems under the Agreement.

We identified a serious oversight deficiency relating to the lack of NASA grant officer involvement in the oversight of the Agreement and, based on our interviews, we believe this may be a systemic problem in the grant management process. Specifically, we found that the NASA Grants Office had relied almost exclusively on the NASA COTF Program

[1] See Appendix A for a description of the scope and methodology of our review.

Office for oversight of the Agreement, which was inappropriate and contributed to other Agreement management problems. The total value of the agreement increased from $9.7 million to $11.3 million (approximately 17 percent without adequate analyses supporting that the cost increases were allowable, reasonable, and necessary. In addition, we identified questionable WJU expenditures charged to the Agreement, which were not approved by NASA in advance or reviewed by the grant officer for allowability, reasonableness, and necessity, as required by Federal and Agency regulations.

We recommended that NASA management take appropriate action to ensure that any future renewals of the Agreement with WJU for COTF support are structured with clear descriptions of the specific work to be performed and the program objectives to be accomplished in order to facilitate accountability and effective performance. We also recommended that NASA management ensure that its grant officers receive adequate training that covers their roles and responsibilities in administering grants and cooperative agreements pursuant to Federal and Agency regulations. Finally, we recommended that the NASA grant officer for the Agreement, in coordination with the designated administrative contracting officer, should conduct a complete review of all WJU expenditures charged to the Agreement to ensure that WJU is adhering to all Federal and Agency administrative and cost principle regulations and requirements.

In response to a draft of this memorandum, NASA concurred with our recommendations and provided planned corrective actions, stating that the findings of our review presented issues of serious concern to the Office of Education and the Goddard Procurement Officer. Comments from those officials (see Appendix C for the full text) included the following statement:

> The responsible stewardship of scarce Government resources to achieve Agency goals and the necessity to conduct the Agency's business in a manner that enhances public trust and confidence are of paramount importance to both offices.

In response to management's comments, which took exception to our use of the term "deliverables" and "milestone schedules," we revised the wording in this memorandum and in Recommendation 1. We request that management comment on the revised recommendation, which is considered unresolved and open for reporting purposes pending our receipt and evaluation of the additional management comments. The Agency provided us with documentation evidencing the completion of corrective actions for Recommendation 2 and, therefore, this recommendation is considered closed. As of January 23, 2006, the corrective action for Recommendation 3 had not been completed and, therefore, this recommendation will remain open pending completion of the corrective action.

Background

The COTF Program is a collaborative activity between WJU and NASA that is designed to develop NASA content-based educational technology resources for the educational community to improve mathematics, science, geography, and technology education. COTF serves as NASA's national research and development site for educational technologies, providing technology-based products and services that support NASA's

Education Program. The COTF Program is one of two collaborative education programs that NASA sponsors under WJU's Center for Educational Technologies (CET).[2]

Since March 1990, NASA has awarded WJU a series of sole-source grants and cooperative agreements for support of the COTF Program. The sole-source awards resulted from several appropriation earmarks (see Appendix B, Table B-2). NASA justified the initial sole-source award to WJU on the basis that WJU's unsolicited proposal represented a unique and innovative research proposal. The subsequent follow-on awards were Agreement renewals to continue work in support of the program.

Cooperative Agreement Procedures. NASA awards cooperative agreements[3] under the authority of the National Aeronautics and Space Act.[4] The award and administration requirements in the Federal Acquisition Regulation (FAR) and NASA FAR Supplement that apply to contracts generally do not apply to cooperative agreements. Rather, NASA grants and cooperative agreements are awarded and administered in accordance with the Agency's regulatory procedures set forth in NASA Procedural Requirements 5800.1E, "NASA Grant and Cooperative Agreement Handbook" (the Handbook) and applicable Office of Management and Budget (OMB) circulars. Applicable OMB circulars include A-21, "Cost Principles for Educational Institutions"; A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations"; and A-133, "Audits of States, Local Governments, and Other Non-Profit Institutions."

Award of Cooperative Agreement NCC5-451. NASA awarded cooperative agreement NCC5-451 to WJU, effective January 1, 2000, for support of the COTF Program. NASA's participation in the COTF Program is managed by NASA's Office of the Chief Education Officer. The Agreement is administered by the Grants Office located at Goddard Space Flight Center (Goddard). The Grants Office falls under the cognizance of the Goddard Procurement Officer. The Agreement outlines the respective responsibilities of NASA and WJU in performance of the COTF Program. The initial period of performance under the Agreement was 5 years—from January 2000 through December 2004—with a total value of $9,658,000. The Agreement was subsequently modified 18 times (through supplements), which extended the period of performance by 12 months, through December 2005, and increased the value to $11.3 million.

Agreement Oversight Responsibilities. Pursuant to NASA's grant management guidance, the NASA grant officer has overall responsibility for ensuring that the award is properly administered, including technical, cost, and schedule aspects. A NASA technical officer serves as an official resource to the grant officer and is responsible for providing

---

[2] The other WJU program that NASA sponsors is the National Technology Transfer Center (NTTC), which was not part of the scope of this review.

[3] Whereas contracts are used as the legal award instrument for acquisitions, cooperative agreements are used as the legal instrument "to reflect a relationship between NASA and a recipient whenever the principle purpose is the transfer of anything of value to the recipient to accomplish a public purpose of support or stimulation authorized by Federal statute, and substantial involvement is anticipated between NASA and the recipient during performance of the contemplated activity" (31 U.S.C. 6305).

[4] 42 U.S.C. 2473(c)(5).

technical advice to the grant officer, including reviews of progress reports and other submissions.

For the WJU COTF Agreement, the NASA grant officer delegated certain administrative functions (for example, property administration, surveillance of WJU's procurement and financial management systems, and review and approval of WJU Cost Accounting Standards [CAS] disclosure statements) to the designated administrative contracting officer at the Office of Naval Research (ONR). WJU is also subject to the audit requirements contained in OMB Circular A-133.

Allegations Not Substantiated

The complaints we received alleged that WJU COTF Program managers improperly fired several WJU employees and improperly awarded sole-source subcontracts to organizations with which they had a personal affiliation. Based on our fieldwork, we concluded that these allegations were not substantiated.

Alleged Improper Firings of WJU Personnel. The complaints asserted that WJU management improperly fired without cause and replaced several key WJU employees who had been with the COTF Program for several years. The complaints further alleged that one WJU employee was fired in violation of both age and sex discrimination laws. In response to these allegations, we interviewed WJU's Director of Human Resources and obtained personnel data for WJU COTF Program employees who were fired during the period May 2004 through April 2005, when the improper firings were alleged to have taken place. The personnel data we reviewed included the names, ages, and genders of the affected WJU employees. We confirmed that WJU replaced several of its COTF Program employees during that period, but we found no patterns of anomalies or other cause to warrant referring the allegations for further investigation.

Alleged Improper Sole-Source Subcontract Awards. The complaints asserted that WJU management improperly awarded subcontracts to organizations with which they were personally affiliated. The allegations pertained to three WJU subcontracts: one in the amount of $25,000 to an individual for consulting services, another in the amount of $10,000 to a large business for information technology support services, and the third in the amount of $17,000 to a non-profit organization for information technology support services. We reviewed documentation in WJU's files for these procurements and did not identify any improper conflicts of interest or other improprieties. The subcontract for consulting services was for general consulting support to WJU and was paid from WJU's commercial account (not from COTF funds), and the other two subcontracts for information technology services were awarded in a manner consistent with WJU's internal procurement procedures.

Lack of Clear Descriptions of Work to be Performed and Program Objectives to be Accomplished Under the Agreement

The Agreement did not clearly describe the work to be performed and the specific program objectives to be accomplished. The Agreement's Operating Plan[5] provides an overview of the COTF Program—its mission, goals, and overall objectives; the educational context in which it works; and the program philosophy that guides its efforts. The plan is prepared annually and describes the general objectives to be accomplished during that particular year. However, while the Operating Plan identifies general objectives, it does not specifically identify the work tasks to be performed and the program objectives to be accomplished.

The technical officer stated that WJU had not met some of its Agreement objectives identified in the Operating Plan by the end of the original Agreement period of performance (December 31, 2004). Specifically, WJU had not completed the following projects, which it was responsible for under the Agreement:

- International Space Station Challenge Web site.
- The research or needs assessment on the State of West Virginia.
- Coordinating diversity criteria for the COTF Improvement Plan implementation by selecting a specific education entity for a long-term partnership.
- Several eMissions initiatives.
- The Ambassador training modules.

The technical officer stated that she agreed to the 1-year "no-cost" extension (through December 2005) to give WJU an opportunity to meet all of its objectives. The COTF Program managers stated that WJU completed all of the outstanding objectives by November 2005.

The lack of clear descriptions of the specific work to be performed and the program objectives to be accomplished has hampered NASA's ability to gauge WJU's performance and hold WJU accountable for meeting its responsibilities under the Agreement.

Insufficient NASA Oversight of the Agreement

In addition to the lack of clear descriptions of the specific work to be performed and the program objectives to be accomplished, we identified deficiencies with NASA's financial and administrative oversight of the WJU Agreement. Specifically, we identified deficiencies relating to the lack of involvement by the NASA grant officer in the oversight of the Agreement, increases in the Agreement's value without sufficient cost analyses, and questionable WJU expenditures charged to the Agreement.

Lack of Grant Officer Involvement in Agreement Oversight. We found systemic problems under the Agreement relating to the lack of NASA grant officer involvement in

[5] The Operating Plan is the statement of work for the Agreement.

the oversight of the Agreement. The Handbook establishes specific oversight responsibilities for both the grant officer and the technical officer relating to critical oversight functions. These oversight functions include performing cost analyses, reviewing proposed direct charges for equipment, reviewing proposed changes to the scope of the Agreement, and reviewing proposed changes to the recipient's key personnel. However, we found that the NASA Grants Office had essentially relied exclusively on the NASA COTF Program Office for oversight of the Agreement, which was inappropriate and contributed to other Agreement management problems.

Our interviews with the current grant officer, as well as two previous grant officers for the Agreement, indicated that they routinely relied on the COTF Program Office to perform technical and administrative oversight of the Agreement, which is contrary to the Handbook. The grant officers told us that they relied on the technical officer for oversight of the Agreement and that the role of the Grants Office was primarily to process the Agreement actions (for example, funding actions and other Agreement Supplements) as requested by the technical officer. The grant officers we spoke with stated that this was a routine practice within the Grants Office, indicating a much broader problem within that office that extends beyond the scope of this particular review.

The lack of the NASA Grants Office's active involvement in the financial and administrative oversight of the Agreement constitutes a serious vulnerability in ensuring that the Agency's interests under the Agreement are being adequately protected.

Increases in Agreement Value Without Sufficient Cost Analyses. The total value of the Agreement increased from $9,658,000 by $1,636,765 (approximately 17 percent) to $11,294,765 without adequate analyses of the cost increases and without support that the cost increases were allowable, reasonable, and necessary. The value of the COTF Agreement increased through several supplements that incorporated "augmentations" for new work into the Agreement. Three of the augmentation supplements included proposed direct charges for equipment (mainly computers, liquid crystal display [LCD] projectors, and other video equipment), with a total value of $45,000. Table 1 summarizes the growth in value (and NASA's funding obligation) for the Agreement.

Table 1. Supplements to Agreement NCC5-451

Supplement Number*	Effective Date	Description	Supplement Value	Cumulative Increase
5	06/19/02	Development of education e-initiative	$ 258,622	$ 258,622
8	09/15/03	Augmentation for NASA Explorer Schools Program	1,000,000	1,258,622
9	09/25/03	Additional augmentation for NASA Explorer Schools Program	248,438	1,507,060
10	10/20/03	Augmentation to provide organizational and logistics efforts for NASA's Explorer Schools Program	19,200	1,526,260
11	10/30/03	Augmentation to fund the NASA Explorer Schools Fall In-Service meeting	30,505	1,556,765
16	03/17/05	Augmentation to fund additional positions	80,000	1,636,765

*Supplements 1-4, 6-7, 12-15, and 17-18 did not increase the value of the Agreement. Rather, these supplements provided additional out-year funding for work already reviewed and anticipated under the Agreement or made administrative changes to the Agreement (for example, updates to Agreement provisions).

Section 1260.11, "Evaluation and Selection," paragraph (f), of the Handbook requires that the grant officer and technical officer review proposed budgets for conformance to program requirements and fund availability, as well as for allowability, reasonableness, and necessity of proposed costs. Specifically, subparagraph (f)(1) states, "The technical officer will review the proposer's estimated cost for conformance to program requirements and fund availability." Subparagraph (f)(2) states, "The grant officer will review the budget, and any change made by the technical officer to identify any item which may be unallowable under the cost principles, or which appears unreasonable or unnecessary." Finally, subparagraph (f)(3) states, "The grant officer will address requests for direct charge of equipment in the negotiation summary, and state whether the purchase is approved as a direct cost."

The Agreement file did not include any documentation addressing the allowability, reasonableness, and necessity of proposed costs for any of the supplements incorporating augmentations for new work into the Agreement. Further, although WJU's budget proposals for Supplements 5, 8, and 16 included proposed direct charges for equipment, with a total value of $45,000, there was no "negotiation summary" or other documentation in the file addressing these items or stating whether the equipment purchases were approved as a direct cost.

We found no evidence in the Agreement file that NASA conducted any negotiations regarding WJU's proposed costs for the new work; rather, in each instance, the cost increases reflected the exact budget amounts proposed by WJU. For each augmentation supplement, the Agreement file contained only a technical narrative describing the nature of the new work to be completed and concluding that WJU's proposal was technically acceptable. The file documentation for the supplements either did not address cost allowability, reasonableness, and necessity at all or included only brief conclusory statements (for example, "all costs listed in the proposal seem reasonable and necessary") without any support.

Although the Handbook requires the grant officer and technical officer to review budgets for allowability, reasonableness, and necessity, the grant officer stated that she was not directly involved in the evaluation of WJU's supplement proposals for additional work, nor was she involved in any negotiations regarding WJU's proposals. She also stated that she did not know whether any such negotiations occurred between WJU and NASA. She stated that she relied solely on the technical officer to ensure that the proposed costs were allowable, reasonable, and necessary under the Agreement.

The failure to conduct analyses of the proposed costs and the lack of involvement by the NASA grant officer in the evaluation and negotiation of WJU's proposals constitute a significant vulnerability in the administration of the Agreement. Without a coordinated cost analysis and negotiation effort by the grant officer and technical officer, NASA has limited assurance that the increased costs associated with the new work are allowable, reasonable, and necessary.

Questionable WJU Expenditures. Under the Agreement, WJU is permitted to spend funds up to the amount allocated under the Agreement in accordance with the Operating Plan. WJU is required to submit an SF-272, "Report of Federal Cash Transactions," to NASA each quarter pursuant to OMB Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations." The SF-272 is the only financial reporting required from WJU under the Agreement. NASA uses the SF-272 information to monitor cash advanced to WJU and obtain disbursement information. However, the SF-272 information does not provide detailed information regarding WJU's expenditures. Therefore, NASA had limited visibility of the specific WJU expenditures charged under the Agreement until September 2004, when NASA requested that WJU submit additional information.

In September 2004, more than 4½ years into the Agreement's period of performance, the NASA COTF technical officer requested that WJU begin submitting detailed cost reports in addition to the SF-272. The technical officer stated that she made the request for detailed cost reporting because she was concerned about a sudden and unexpected increase in WJU's expenditure rate under the Agreement after WJU replaced its management team (including a new Chief Executive Officer of WJU's COTF Program) in May 2004. In June 2004, and for subsequent months, WJU's monthly expenditures increased from about $138,000 to about $238,000.

The technical officer stated that when she questioned WJU regarding the basis for the higher expenditures, she learned that most of the increase was because WJU's new management team was working on additional research and development activities to expand COTF's objectives. Specifically, WJU's new management team unilaterally decided to perform new work in areas such as educational gaming and professional development initiatives that had not been previously pursued. Section 1260.25, "Change in Principal Investigator or Scope," paragraph (b), of the Handbook states that "prior written approval is required from NASA if there is to be a significant change in the objective or scope." Although WJU did not obtain advanced approval from the NASA technical officer, as was required by the terms and conditions of the Agreement, the technical officer did not take exception to the additional costs because she agreed that WJU's new work activities were generally in line with the broad work objectives outlined in the Operating Plan.

The Agreement file included no documentary evidence that any cost analysis or negotiations had been conducted relating to the costs for the new work. Also, there was no indication that the technical officer ever discussed this issue with the NASA grant officer. The grant officer stated that she was unaware of the substantial spike in WJU's monthly expenditures after May 2004. Consequently, she did not review any of the specific expenditures associated with the new work for allowability, reasonableness, and necessity under the Agreement, as required by the Handbook.

In our review of some of WJU's Agreement expenditures between May 2004 and March 2005, we identified questionable costs that clearly should have been reviewed in advance by the grant officer and technical officer regarding their allowability, reasonableness, and necessity. For example, we identified questionable WJU expenditures relating to WJU's operation of a satellite office located in Milwaukee, Wisconsin during the 10-month period of June 2004 through March 2005. In June 2004, WJU opened and began operating the Milwaukee office and charged the costs to the COTF Agreement. There was no specific line item in the FY 2004 COTF Agreement's Operating Plan for a Milwaukee office. Although a line item for the Milwaukee office was added to the FY 2005 COTF Operating Plan, WJU closed the office in March 2005. The WJU Finance Manager stated that there was no longer a need to keep it open because two of the four employees either had been fired or had resigned and the other two employees were given the opportunity to relocate to Wheeling, West Virginia, but declined.

WJU did not obtain advanced approval from the NASA grant officer or technical officer regarding the opening or the subsequent closing of the Milwaukee office. The expenditures associated with the opening and brief operation of WJU's satellite Milwaukee office are questionable, especially considering WJU's failure to obtain advanced approval from NASA and the lack of any cost analysis by the NASA grant officer.

For the 10-month period, lease costs totaling $16,500 for the Milwaukee office were charged to the Agreement. Lease costs were $1,600 per month plus an additional $250 for June and July 2004. In addition to the lease costs, the four WJU Milwaukee employees traveled to Wheeling, West Virginia and Washington, D.C. several times during the 10-month period for meetings and presentations. Two of the four WJU employees traveled

about once a month and the other two WJU employees traveled once or twice a month. Meeting agendas for these WJU personnel included the following:

- Meet with CET managers and staff to discuss the status of current projects.
- Meet with representatives to begin the process of advanced educational development, sharepoint meetings, staff meetings, and executive team meetings.
- Meet on educational technology funding.
- Meet with CET staff and Virtual Design Advisory Board.

The travel costs for the WJU Milwaukee office staff directly charged to the COTF Program were approximately $48,000 for the 10-month period.

WJU's expenditures for the Milwaukee office of $16,500 in lease costs and $48,000 in travel costs are questionable. WJU's failure to obtain advanced approval from NASA regarding these expenditures and the lack of any cost review analysis by the NASA grant officer cast serious doubt on the allowability, reasonableness, and necessity of these expenditures.

Recommendations

Revised Recommendation. In response to management comments, we revised the wording in this memorandum and in Recommendation 1.

1. The NASA Chief Education Officer and the Goddard Procurement Officer should ensure that any future Agreement renewals for COTF support are structured with clear descriptions of the specific work to be performed and the program objectives to be accomplished to facilitate accountability and effective performance under the Agreement.

Management's Response. Goddard Procurement and Headquarters Office of Education management partially concurred with the recommendation. While they stated that they will carefully review future agreement renewals for COTF to ensure that the renewals are properly structured, they took exception to our use of the term "deliverables" and "milestone schedules" that we used in a draft of this memorandum. They stated that cooperative agreements, as financial assistance instruments, do not stipulate deliverables per se and rarely include milestone schedules.

Evaluation of Management's Response. In response to management's comments, we revised the language used in this memorandum, including the wording for Recommendation 1. Specifically, we deleted any references to "deliverables" and "milestone schedules" from the memorandum, since the Handbook does not specifically stipulate the use of deliverables and milestone schedules for cooperative agreements. Instead, to be consistent with the terminology used in the Handbook, we revised the memorandum to emphasize the need to include in any future agreement renewals "clear descriptions of the specific work to be performed and the program objectives to be accomplished." We request that Goddard Procurement and Headquarters Office of Education management provide a consolidated written response to this revised

recommendation. This recommendation is considered unresolved and open for reporting purposes pending our receipt and evaluation of management's written comments.

2. The Goddard Procurement Officer should ensure that its grant officers receive adequate training that covers their respective roles and responsibilities in administering grants and cooperative agreements pursuant to the Handbook.

Management's Response. Goddard management concurred with the recommendation, stating that all Goddard grant specialists will receive training to ensure that they understand the award process for grants and cooperative agreements and their responsibilities in that process. Training topics will include the roles and responsibilities of all parties involved in the process, budget and cost analysis, determination of the proper procurement vehicle, and the necessity and importance of proper and accurate documentation for every procurement action.

Evaluation of Management's Response. We confirmed that Goddard conducted the necessary training for its grant officers, which was completed on December 12, 2005. We also reviewed the training material used for this purpose and found it to be adequate. Therefore, management's actions are responsive to the recommendation and the recommendation is closed.

3. The NASA grant officer for the Agreement, in coordination with the designated Office of Naval Research (ONR) administrative contracting officer, should conduct a complete review of all WJU expenditures charged to the Agreement. These expenditures should be reviewed for allowability in accordance with the terms of the Agreement and all applicable Federal laws, regulations, and policies governing the allowability of costs under cooperative agreements (e.g., OMB Circular A-21, "Cost Principles for Educational Institutions").

Management's Response. Goddard management concurred with our recommendation, stating that it will request ONR to initiate an audit with specific focus on reviewing all WJU expenditures charged to the Agreement for determination of allowability.

Evaluation of Management's Response. On January 11, 2006, Goddard issued a letter to ONR requesting audit support for the purpose of conducting a complete review of all WJU expenditures charged to the Agreement. Goddard's actions are considered responsive to the recommendation. However, the recommendation will remain open for reporting purposes pending completion of corrective action (that is, completion of the cost allowability review).

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Joseph Kroener, Procurement Audits Director, at 202-358-2558, or Ms. Tina Leach, Project Manager, at 202-358-4966.

Evelyn R. Klemstine

cc:
Chief Acquisition Officer
Assistant Administrator for Procurement
Director, Management Systems Division

Appendix A
Review Scope and Methodology

We reviewed specific allegations from a hotline complaint made to the OIG regarding NASA's COTF Agreement with WJU. The complainant alleged misuse of Federal funds and other improprieties under the Agreement. Specifically, the allegations asserted that WJU COTF Program managers improperly fired several WJU employees, improperly awarded sole-source subcontracts to organizations with which they had a personal affiliation, and improperly expended program funds to perform tasks that were not authorized by NASA and were outside the scope of the Agreement.

We conducted this review from November 2004 through July 2005. We interviewed personnel responsible for awarding and administering the Agreement at both NASA and WJU. We also reviewed documentation pertinent to the Agreement. The documentation included Agreements, Operating Plans, budget information (reports), NASA audit reports (A-HQ-91-007 and WJU's Consolidated Financial Statement for year ending 2003), WJU's organizational structure, OIG hotline complaints, Federal Programs Policy and Procedure Manual for WJU's employees, e-mail correspondence, cost vouchers, WJU subcontracts, WJU contracting policies and procedures, and WJU hiring policies.

Appendix B
Chronologies of Grants and Cooperative Agreement Awards and Annual Appropriation Earmarks for COTF

Table B-1. Chronology of Grants and Cooperative Agreement Awards to WJU for COTF

Award	Award Date	Description	Period of Performance	Value
Unknown	3/01/90	Planning Grant for COTF	03/01/90–03/31/91	$ 1,302,847
NAGW-2486	04/25/91	Design and Construction Management Services in support of COTF	04/25/91–12/31/96	20,000,000
NCCW-12	02/13/91	Support COTF	02/13/91–11/30/96	9,655,629
NCC5-203	06/09/97	Support COTF	06/09/97–12/31/98	7,562,106
NAG5-6961	02/06/98	Support COTF	02/08/98–01/31/99	299,943
NCC5-451	01/28/00	Support COTF	01/28/00–12/31/05	11,294,765
NNG05GF73G	03/24/05	Research and Development for new innovative approaches for outreach in support of COTF	03/24/05–12/31/05	1,500,000

Table B-2. Appropriation Earmarks to WJU for Support of COTF

Fiscal Year	Purpose	Amount
1991	Construction associated with the Classroom of the Future software program in Space Science Education	$4,000,000
1992	For the Classroom of the Future program Construct, equip, and integrate a classroom of the future facility on the campus of WJU	1,500,000 6,000,000
1993	For the Classroom of the Future program	2,800,000
1997	Classroom of the Future's Astronomy Village Program to increase the learning effectiveness of the Classroom by assessing and improving student scientific inquiry abilities.	300,000
2002	Challenger Learning Center (part of COTF mission)	475,000
2004	For the Classroom of the Future program	200,000

Appendix C
Management's Response

National Aeronautics and
Space Administration
Headquarters
Washington, DC 20546-0001

Reply to Attn of: Office of Education

TO: Assistant Inspector General for Auditing

FROM: Associate Administrator for Education (Acting)
Procurement Officer, Goddard Space Flight Center

SUBJECT: Draft Management Memorandum: Review of NASA's "Classroom of the Future" (COTF) Cooperative Agreement with Wheeling Jesuit University (WJU), memo dated 10/4/05

The findings of this review present issues of serious concern to the Office of Education and the Goddard Procurement Officer.

The responsible stewardship of scarce Government resources to achieve Agency goals and the necessity to conduct the Agency's business in a manner that enhances public trust and confidence are of paramount importance to both offices.

To this end, the Office of Education and the Procurement Officer concur with the recommendations for improvement made by the Office of Inspector General. Accordingly, we have provided a response to each recommendation below. Each response includes a description of activities designed to address the risks and are an integral part of performance management procedures to achieve effective results.

The recommendations and responses follow:

1. **Recommendation:** The NASA Chief Education Officer and the Goddard Procurement Officer should ensure that any future Agreement renewals for COTF support are structured with clear performance requirements, deliverables and milestone schedules to facilitate accountability and effective performance under the Agreement.

   Response: (Partially Concur) With regard to the finding related to the lack of specific performance requirements, deliverables and milestone schedules, and the lack of proper file documentation, under the auspices of the NASA Education Technology & Products Office, any project directly funded through the Technology & Products Office must adhere to requirements as outlined under the Education Program Operating Plan Guidance. Annual performance planning and reporting is required. Performance goals are identified, measured and monitored throughout the fiscal year. We will carefully

review future agreement renewals for COTF to insure they are properly structured. It should be noted that the FY06 conference report to HR 2862 includes $2,000,000 for continued operation of the COTF at WJU, Wheeling, West Virginia. (Conference Report H. 109-272, dated 11/7/05).

However, it should be noted that cooperative agreements do not have "deliverables." As financial assistance instruments, the recipient does not deliver or sell services or products to the Government. The recipient may produce data and information for wide dissemination in reports or publications or other forms depending upon the objectives of the financial assistance. Reports are provided to the Government, but they serve the purpose of enabling the Government to monitor progress and do not constitute "deliverables."

Additionally, grants and cooperative agreements with educational institutions rarely include milestone schedules, and inclusion of such schedules should be the exception, not the norm. The cognizant technical office, the Office of Education in this instance, measures progress by reviewing the annual report required by the provision at 1260.22 of the regulations. More frequent reports can be required. Milestone schedules can be used in a particular award, but their use should be justified, since this practice is considered inapplicable to educational institutions.

As such, we consider this recommendation closed.

2. **Recommendation:** The Goddard Procurement Officer should ensure that its grant officers receive adequate training that covers their respective roles and responsibilities in administering grants and cooperative agreements pursuant to the Handbook.

Response: (Concur) Additional training will be provided to all grants specialists in Code 210.H to ensure that they understand the award process for grants and cooperative agreements, as well as, their respective responsibilities in that process. Grants Specialists and Grants Officers will receive training on the following topics:

- The roles and responsibilities of all parties involved in cooperative agreements and grants and the applicable procedures and regulations regarding the award and administration of grants and cooperative agreements;
- Budget and cost analysis proposals and the role of the Office of Naval Research (ONR) in performing these services for NASA;
- Determination of the proper procurement vehicle; and
- The necessity and importance of proper and accurate procurement records and procurement file documentation for every procurement action.

Training on these topics will occur within the next 30 calendar days.

We consider this recommendation closed for reporting purposes based on the fact that additional training on the above topics will take place this calendar year.

3. **Recommendation:** The NASA grant officer for the Agreement, in coordination with the designated Office of Naval Research administrative contracting officer, should conduct a complete review of all WJU expenditures charged to the Agreement. These expenditures should be reviewed for allowablility in accordance with the terms of the Agreement and all applicable Federal laws, regulations, and policies governing the allowability of costs under cooperative agreements (e.g., OMB Circular A-21, "Cost Principles for Educational Institutions").

   Response: (Concur) ONR administers contracts, grants, and cooperative agreements awarded to educational and nonprofit research organizations. The ONR services available to NASA for delegation under grants and cooperative agreements are listed in the NASA/ONR Memorandum of Agreement, with its Additional Guidance for Categories of Support, dated May 16, 2000. The Memorandum of Agreement includes specific categories of support to be provided by ONR. Additional categories may be requested in a letter of delegation of authority on individual awards.

   Goddard will request ONR initiate an audit with specific focus on review of all WJU expenditures charged to the Agreement for determination of allowability in accordance with the terms of the Agreement and all applicable Federal laws, regulations and policies governing the allowability of costs under cooperative agreements (e.g., OMB Circular A-21, "Cost Principles for Educational Institutions"). The request to ONR for this review will be made no later than December 22, 2005.

As stewards of Government resources, we are committed to implement mechanisms that will preserve the integrity of the contracting process as well as eliminate or minimize any risk. Your assessment will serve as guidance as we move forward with future agreements. We appreciate your contribution and value your support.

Angela Phillips Diaz
Associate Administrator
for Education (Acting)

Leigh Anne Hirelli
for Valorie Burr
Procurement Officer, Goddard
Space Flight Center