National Aeronautics and
Space Administration

Office of Inspector General
Washington, DC 20546-0001

SEP 2 1 2006

TO: Chief Engineer
General Counsel
Procurement Officer, Johnson Space Center

FROM: Assistant Inspector General for Auditing

SUBJECT: Addendum to Final Memorandum on NASA's Acquisition Approach Regarding Requirements for Certain Engineering Software Tools to Support NASA Programs (Assignment No. S06012, August 23, 2006)

We requested additional management comments on the subject final memorandum because we did not consider the comments on Recommendations 2 and 3 to be responsive. We received additional management comments on September 12, 2006 (see the Enclosure) that are responsive and, therefore, both recommendations are resolved and closed. A summary of management's comments on Recommendations 2 and 3 and our evaluation of the comments is provided below.

Recommendation 2

We recommended that the Johnson Space Center (JSC) Procurement Officer suspend any procurement activity to increase the number of Parametric Technology Corporation (PTC) mechanical computer aided design (MCAD) and data management licenses at NASA pending completion of the NASA Office of Chief Engineer's Agency-wide requirements assessment. Also, we recommended that existing PTC MCAD and data management licenses be renewed for only the minimum time needed to allow for continuity of the required tools pending completion of the assessment.

NASA management stated in its August 3, 2006, response to the draft report that Johnson, to allow uninterrupted service to the various programs, will continue support for the existing 351 licenses for the minimum amount of time necessary, pending completion of the assessment. While that response sufficiently addressed the second part of the recommendation, it was silent on the first part—i.e., that Johnson should suspend any procurement activity to increase the number of NASA's PTC MCAD and data management licenses pending completion of the assessment to be conducted pursuant to Recommendation 1. Therefore, in the subject final memorandum, we requested additional integrated Agency comments explicitly addressing suspension of procurement activities to increase the number of the aforementioned licenses.

NASA management submitted additional comments on September 12, 2006, stating that "NASA management concurs with both aspects of the recommendation." The additional comments also stated:

> To allow uninterrupted service to the various programs Johnson will continue support for the existing 351 licenses for the minimum amount of time necessary, pending completion of the assessment. The provisioning of this continued support is intended as the only procurement activity that will be undertaken pending the assessment's completion. Therefore, Johnson will not procure additional PTC MCAD Pro-Engineer licenses and support pending completion of the NASA Chief Engineer's agency-wide assessment of MCAD and data management requirements without providing justification to the Agency Chief Engineer to ensure Johnson's approach is consistent with Agency determined standards.

On the basis of these comments, the recommendation is resolved and closed. However, the comments also appear to leave open the possibility that NASA Centers may need to initiate procurements in the interim to meet "new or modified requirements." Specifically, NASA management stated:

> Centers must continue to have discretion in the identification of their software applications needs and requirements. To the extent that Centers may have identified new or modified requirements, not known at the time that the JSC competitive procurement was conducted, they likewise must have the discretion to satisfy those requirements as needed, while complying with NASA policies, standards, Enterprise Architecture, and other "constraints/guidelines." In the execution of any procurement activities aimed at filling such needs, Centers should exercise due care in undertaking any such procurement actions in a fully compliant manner and are urged to have prior consultative discussions with the NASA Chief Engineer's Office.

We will conduct follow-up work as necessary regarding NASA's corrective actions in response to this recommendation. We will be particularly sensitive to any Agency procurements initiated prior to completion of the Office of Chief Engineer's Agency-wide assessment that would result in an increase to the number of PTC MCAD or data management licenses.

Recommendation 3

We recommended that the Senior Attorney, NASA Office of the General Counsel, notify the Government Accountability Office (GAO), in writing, of any deviations from the corrective actions that the Agency stated it would take in its letter to the GAO in regard to the protested procurement matter. In the Agency's August response, NASA management concurred with the recommendation, but stated that "in the absence of an open bid protest, notification to the [GAO] would be an academic matter" and "the GAO does not consider academic matters." The response further stated that "If any final decision is made by the Agency regarding changes in the proposed corrective action, OGC will determine at that time if notification to the GAO in the absence of an open bid protest is in the best interest of NASA."

We concluded that the proposed action was not responsive because it did not address whether the Agency would notify GAO of deviations from previously stated corrective actions.

The additional comments submitted to us on September 12, 2006, stated that:

> NASA management concurs with this recommendation. No final agency decision regarding appropriate corrective action regarding this procurement has been made and none will or can be made until the independent assessment being undertaken by the NASA Chief Engineer's Office has been completed and the results duly considered. If any final decision is made by the agency which contemplates changes in the proposed corrective actions as previously represented by the agency to the GAO, the NASA Office of General Counsel (OGC) will notify the GAO as soon as possible following the final agency decision.

On the basis of these comments, the recommendation is resolved and closed. However, we will conduct follow-up work as necessary regarding NASA's corrective actions in response to this recommendation.

We appreciate the courtesies extended the audit staff during the review. If you have any questions, or need additional information, please contact Mr. Joseph Kroener, Office of Audits Procurement Director, at 202-358-2558 or me at 202-358-2572.

Evelyn R. Klemstine

Enclosure

cc:
Administrator
Associate Administrator, Exploration Systems Mission Directorate
Assistant Administrator for Procurement
Chief Safety and Mission Assurance Officer
Director, Ames Research Center
Director, Dryden Flight Research Center
Director, Glenn Research Center
Director, Goddard Space Flight Center
Director, Johnson Space Center
Director, Kennedy Space Center
Director, Langley Research Center
Director, Marshall Space Flight Center
Director, Stennis Space Center
Chief Counsel, Johnson Space Center

Management's Additional Comments

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

September 12, 2006

Reply to Attn of: LH030

TO: W/Assistant Inspector General for Auditing

FROM: Assistant Administrator for Procurement

SUBJECT: Final Memorandum on NASA's Acquisition Approach Regarding Requirements for Certain Engineering Software Tools to Support NASA Programs (Assignment No. S06012)

Enclosed are the integrated responses from the Office of Procurement for audit recommendation number two and that of the Office of General Counsel for recommendation number three contained in the subject final memorandum dated August 23, 2006.

Tom Luedtke

Enclosure

Your office issued a Final Memorandum on NASA's acquisition approach regarding requirements for certain engineering software tools to support NASA programs, dated August 23, 2006. The Final Memorandum contained three (3) specific recommendations, two (numbers 2 and 3) of which you requested additional integrated comments.

Specifically, recommendation Number 2 was as follows:

The Johnson Procurement Office should suspend any procurement activity to increase the number of NASA's PTC MCAD and data management licenses pending completion of the aforementioned assessment.* Also, existing PTC MCAD and data management licenses should be renewed for only the minimum amount of time necessary to provide for continuity of the required tools pending completion of the assessment.

(*Recommendation Number 1 was that the NASA Chief Engineer conduct an assessment of NASA's Agency-wide requirements for the MCAD and data management software tools.)

Management's Response to recommendation Number 2, submitted in response to your office's draft memorandum on this subject issued June 30, 2006, was as follows:

NASA Procurement Office CONCURS with Modification: To allow uninterrupted service to the various programs, JSC will continue support for the 351 licenses for the minimum amount of time necessary pending completion of the assessment.

In your Final Memorandum you determined that the Management Response to recommendation Number 2 did not address a portion of the recommendation (that is, that Johnson should suspend any procurement activity to increase the number of NASA's PTC MCAD and data management licenses, pending completion of the Agency-wide assessment to be conducted by the NASA Chief Engineer's Office pursuant to Recommendation Number 1). You requested an additional integrated Agency comment by September 12, 2006, explicitly addressing suspension of procurement activities that would increase the number of aforementioned licenses.

Amended Agency Response Regarding Recommendation Number 2:

NASA management concurs with both aspects of the recommendation. To allow uninterrupted service to the various programs Johnson will continue support for the existing 351 licenses for the minimum amount of time necessary, pending completion of the assessment. The provisioning of this continued support is intended as the only procurement activity that will be undertaken pending the assessment's completion. Therefore, Johnson will not procure additional PTC MCAD Pro-Engineer licenses and support pending completion of the NASA Chief Engineer's agency-wide assessment of MCAD and data management requirements without providing justification to the Agency

Chief Engineer to ensure Johnson's approach is consistent with Agency determined standards.

It must be noted, however, that the Johnson competitive requirement that included renewal of PTC existing licenses (301), the minimal purchase of new PTC licenses (50), as well as training and data conversion services was intended to reflect, at that time, the known Agency-wide requirements for this specific type of software application. One of the principal reasons that the Agency elected a course of corrective action in response to the protest lodged with the GAO, was a concern about the true nature of the Agency's overall requirements, particularly with respect to data conversion requirements. The requirements set forth in the competitive solicitation issued by Johnson may be at variance with the present needs and requirements of the Agency. For this reason we support the independent assessment being undertaken by the NASA Chief Engineer and expect that this assessment will provide both clarity and specificity regarding not only the software functionality, but the actual number of licenses deemed necessary and appropriate to fulfill the Agency's needs and requirements. Centers must continue to have discretion in the identification of their software applications needs and requirements. To the extent that Centers may have identified new or modified requirements, not known at the time that the JSC competitive procurement was conducted, they likewise must have the discretion to satisfy those requirements as needed, while complying with NASA policies, standards, Enterprise Architecture, and other "constraints/guidelines." In the execution of any procurement activities aimed at filling such needs, Centers should exercise due care in undertaking any such procurement actions in a fully compliant manner and are urged to have prior consultative discussions with the NASA Chief Engineer's Office.

Additionally, your Office concluded that Management's response to Recommendation Number 3 concerning notification to the GAO of any deviations from the corrective actions noted by the Agency in correspondence to the GAO was not responsive to the intent of the recommendation. You requested that NASA management reconsider its proposed corrective action in response to this recommendation and provide additional comments to you by September 12, 2006.

Amended Agency Response Regarding Recommendation Number 3:

NASA management concurs with this recommendation. No final agency decision regarding appropriate corrective action regarding this procurement has been made and none will or can be made until the independent assessment being undertaken by the NASA Chief Engineer's Office has been completed and the results duly considered. If any final decision is made by the agency which contemplates changes in the proposed corrective actions as previously represented by the agency to the GAO, the NASA Office of General Counsel (OGC) will notify the GAO as soon as possible following the final agency decision.