July 31, 2008

TO: Assistant Administrator for Procurement  
   Director, Johnson Space Center

FROM: Assistant Inspector General for Auditing

SUBJECT: Final Memorandum on Audit of International Space Station Contracts  
Government Cost and Price Analyses (Report No. IG-08-024;  
Assignment No. A-07-020-00)

The Office of Inspector General (OIG) conducted an audit of cost and price analyses for  
International Space Station (ISS) contracts. Our objective was to evaluate whether the  
ISS contracting officers effectively used cost and price analyses to ensure NASA  
contracts and applicable contract modifications were negotiated at fair and reasonable  
costs and prices. To accomplish our objective, we statistically sampled, from four ISS  
contracts, 35 modifications from a universe of 81 modifications. (Because NASA may  
combine several negotiated contract actions into one modification, we had to review  
59 contract actions in total to extract our sample of 35 modifications.) The  
35 modifications allowed us to project the results of our work to the entire population.  
For each contract action, we reviewed ISS contract files to ensure that the required  
documentation was present and that cost and price analyses were completed, fully  
documented, and the best value for NASA. We also reviewed internal controls as they  
related to the objective. (See Enclosure 1 for details on the audit’s scope and  
methodology.)

Executive Summary

Our review of the four ISS contract files showed that 17 of 35 modifications, which may  
consist of several negotiated contract actions, had all documentation necessary to allow  
us to verify NASA’s position on rates used. However, we were unable to obtain all  
documentation for 18 of 35 modifications, including contracting officers’ spreadsheets,  
which identify NASA’s negotiation position; Forward Pricing Rate Agreements

\[1\]  

\[1\] FAR 2.101, “Definitions,” a “forward pricing rate agreement” is a written agreement negotiated between a  
contractor and the Government (Defense Contract Management Agency) to make certain rates available  
during a specified period for use in pricing contracts or modifications. Such rates represent reasonable  
projections of specific costs that are not easily estimated for, identified with, or generated by a specific  
contract, contract end item, or task. These projections may include rates for such things as labor, indirect  
costs, material obsolescence and usage, spare parts provisioning, and material handling.
(FPRAs) or Forward Pricing Rate Recommendations\textsuperscript{2} (FPRRs); or when required, Independent Government Cost Estimates (IGCEs). This incomplete documentation prevented us from verifying NASA’s position for some or all of the rates for line items, such as labor, general and administrative expenses, business support, and labor overhead, within the contract modifications reviewed.

For 26 of 35 modifications, we found that NASA did an adequate job of substantiating their position. However, for the other 9 modifications, we found that NASA did not always substantiate, as required by Federal Acquisition Regulation (FAR), the use of a higher rate than proposed by the contractor or a different rate than recommended by the Defense Contract Management Agency (DCMA). While the total dollar value negotiated was minor [$260,330 of $213,977,647 (0.12 percent) or $2,065,311 projected to the entire population], the documentation deficiencies should be corrected to substantiate why the government negotiated the higher rates. We are not questioning\textsuperscript{3} any of the $260,330 because the contractors will be paid their actual rates for both labor and overhead, which may be higher or lower than the negotiated rates once the Defense Contract Audit Agency (DCAA) completes the fiscal year end incurred (actual) cost audit. In addition, 26 of the 35 modifications we reviewed required an IGCE because the contract change request was valued at more than $1 million and changed the contract baseline (new development or new content); however, we could not find evidence that an IGCE was completed for 7 of those 26 modifications.

The FAR requires that the head of offices performing contracting functions establish files containing records of all contractual actions including providing a complete background as a basis for informed decisions at each step of the acquisition process. As such, ISS contracting officers should document the rationale for cost and price determinations and maintain that documentation within the contract file, especially when the lowest costs and prices are not used. Additionally, ISS personnel should include in the contract file copies of the contracting officer’s spreadsheets and all FPRAs used for negotiating a modification.

The ISS Office took corrective action to address incorporating spreadsheets and FPRAs into the contract files prior to completion of this audit. Therefore, our only recommendation is that the ISS procurement management reinforce the Station Program Implementation Plan\textsuperscript{4} requirements for development and documentation of IGCEs when

\textsuperscript{2} FAR 2.101, “Definitions,” a “forward pricing rate recommendation” is a rate set unilaterally by the administrative contracting officer for use by the Government in negotiations or other contract actions when forward pricing rate agreement negotiations have not been completed or when the contractor will not agree to a forward pricing rate agreement.

\textsuperscript{3} Per the Inspector General Act of 1978, a questioned cost is one that is questioned by the OIG because of (1) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

\textsuperscript{4} The Station Program Implementation Plan defines the objectives, organizational structure, responsibilities, and processes associated with the ISS Program Planning and Control Office.
required and reinforce compliance with FAR requirements to sufficiently document the contract file to support contract actions taken to include use of rates other than those recommended by DCMA.

Management’s comments on the draft of this memorandum are responsive (see Enclosure 2) and the recommendation is closed.

**Background**

The objective of cost or price analysis is to ensure negotiation of a fair and reasonable estimated cost (in the case of cost-reimbursement contracts) or price (in the case of fixed-price contracts) that is in the overall best interest of the Government. A key tenet of Government cost and price negotiation is the need to structure contract pricing in a manner that both provides incentives for the contractor and obtains the best value for the Government. To achieve this objective, contracting officers are given wide latitude in negotiating contract costs and prices. Cost analysis is the review and evaluation of each element of a cost estimate and proposed profit or fee to determine reasonableness, allocability, and allowability. Price analysis is the process of examining and evaluating a proposed price without evaluation of its separate cost elements and proposed profit.

The purpose of performing a cost-price analysis is to develop a negotiation position that permits the contracting officer and the offeror an opportunity to reach agreement on a fair and reasonable price, which is why contracting officers are given wide latitude in negotiating contract costs and prices. In exercising this latitude, contracting officers may, for example, select a rate other than the lowest rate if it is determined that the lowest rate is significantly out of date, provided the rationale and support for all critical decisions impacting contract pricing are clearly explained and documented in the contract file.

FAR 15.404-1(b)(2) and FAR 15.404-1(c)(2) describe techniques that may be used to determine price reasonableness. NASA contracting officers are responsible for exercising the requisite judgment needed to reach a negotiated settlement with the offeror and are solely responsible for the final agreed-to price. The contracting officer’s objective is to negotiate a contract type with a price that provides the contractor the greatest incentive for efficient and economical performance while obtaining the best value for the Government. The negotiation for contract type and price should be considered together with risk and uncertainty to the contractor and the Government to obtain the best value for the Government.

FAR 15.403-4(a)(1) establishes the threshold for obtaining cost or pricing data at $650,000, therefore our universe included those contract modifications greater than $650,000. However, FAR 15.403-1(b) identifies exceptions to obtaining cost or pricing data. Specifically, the contracting officer shall not require the submission of cost or pricing data to support any action (1) when the contracting officer determines that prices agreed upon are based on adequate price competition; (2) when the contracting officer determines that prices agreed upon are based on prices set by law or regulation; (3) when
a commercial item is being acquired; (4) when a waiver has been granted; or (5) when modifying a contract or subcontract for commercial items.

While many non-ISS contracts are used to support the ISS Program (ISS funds are put on other contracts), only seven contracts were negotiated, awarded, and managed by the ISS Procurement Office:

- ARES Corporation (ARES), contract NNJ04AA01C, cost-plus-award-fee contract awarded November 2003;
- Barrios Technology Inc. (Barrios), contract NNJ04AA02C, cost-plus-award-fee contract awarded November 2003;
- The Boeing Company (Boeing), Contract NAS15-10000, cost-plus-award-fee contract awarded November 1993;
- The Boeing Company, Contract NAS9-02098, firm fixed price contract awarded February 2003;
- Lockheed Martin Integrated Systems, Inc. (Lockheed), contract NNJ04AA03C, cost-plus-award-fee contract awarded November 2003;
- Energia Rocket and Space Corporation (RSC Energia, a Russian company), contract NNJ06GA16C, firm-fixed-price contract awarded August 2006; and

Our review focused on four contractors, not including the two Russian contractors and Boeing contract NAS9-02098. The two Russian contracts were excluded from our scope, and the Boeing contract NAS9-02098 did not meet our sample selection criteria of reviewing modifications over $650,000. We reviewed specific line items of the contract modifications and compared rates proposed and used with rates recommended by DCMA or DCAA. For three contractors (ARES, Barrios, and Lockheed), NASA relies on DCMA to negotiate rates and DCAA to verify rates. For Boeing, NASA relies on the DCMA Administrative Contracting Officer to review the forward pricing rates and either agree with them in the form of an FPRA or recommend rates via an FPRR.

An ISS change request is used to start new or additional work after contract award and is completed on Form ISS CM005 (Revised September 2007), “International Space Station Program Change Directive.” An ISS engineer usually submits the change request when additional work is required. The change request generates a change directive that explains to the general ISS population the nature of the work requested. The change directive allows project personnel an opportunity to explain to the ISS population the impact the change will have on their work. After the change directive is approved, the contractor is given authorization by the contracting officer to submit a firm cost proposal. Once the contracting officer receives the cost proposal, technical staff perform a technical evaluation which is then provided to the contracting officer or contract specialist for

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5 A technical evaluation is the examination of the proposed types and quantities of materials, labor, processes, special tooling, facilities, the reasonableness of scrap and spoilage, and other factors in the proposal to determine the need for and reasonableness of the proposed resources.
incorporation into the pre-negotiation position memorandum (PPM). The contracting officer, contract specialist, or price analyst begins the cost analysis while the technical staff reviews the proposal.

In addition, per the Station Program Implementation Plan Volume I: Station Program Management Plan Annex G: ISS Program Planning and Control Office, Revision B, January 2007 (Station Program Implementation Plan), if the change is valued at more than $1 million and changes the baseline (new development or new content), an IGCE should be prepared by the Program Planning and Control Office. The contracting officers also prepare spreadsheets that identify what the contractor is proposing, including hours, rates, and totals for each labor and overhead category and the Government’s objective and maximum positions, which include rates for labor and overhead categories. The contracting officers use these reports (technical evaluation, cost analysis, and IGCE if applicable) along with the contracting officer spreadsheet when preparing the PPM. The PPM shows the estimated range the Government is willing to pay. During the pre-negotiation process, discussions with the contractor can help avoid misunderstandings regarding the work to be performed. Once both parties come to agreement on the work to be performed and the cost of that work, the NASA contracting officer will prepare a price negotiation memorandum (PNM) describing the cost of the work and how they arrived at that cost. Upon completion of the negotiation, NASA issues a contract modification.

FAR 4.801, “General,” states that the head of each office performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions. The documentation in the files should be sufficient to constitute a complete history of the transaction for the purpose of (1) providing a complete background as a basis for informed decisions at each step in the acquisition process, (2) supporting actions taken, (3) providing information for reviews and investigations, and (4) furnishing essential facts in the event of litigation or congressional inquiries. FAR 4.803, “Contents of Contract Files,” provides examples of records normally contained, if applicable, in contract files. Some examples are copies of the contract and all modifications, cost or price proposals, cost or price analyses, records of negotiation, and any additional documents on which action was taken or that reflect actions by the contracting officer pertinent to the contract.

**Adequate Supporting Documentation Not Always Available**

Generally, ISS contracting officers adequately documented the contract files concerning contracting decisions and included the necessary documentation in the files. However, we found that the ISS contracting officers did not always document their decisions to use labor and overhead rates that differed from what the contractor proposed or a rate other than that recommended by DCMA. In addition, the contracting officers did not always ensure that the contract files contained all of the needed documentation (contracting officer spreadsheets and FPRAs) to support the rates used or the Government’s position.

The Boeing base contract was awarded in November 1993 and the ARES, Barrios, and Lockheed base contracts were awarded in November 2003. We statistically sampled
35 ISS contract modifications out of 81 awarded between fiscal years 2004 and 2007 allowing us to project to the entire population. Because NASA may “bundle” (combine) several negotiated contract actions into one modification, we had to review 59 contract actions in total for our sample of 35 modifications.

**NASA’s Decisions Concerning Rates Used Were Not Documented in Contract Files**

Generally, for 26 of the 35 modifications reviewed (74 percent), we found that ISS contracting officers did a sufficient job of documenting the Government’s negotiation position and the rates used. However, for 9 of the ISS modifications reviewed, we found that NASA contracting officers did not always adequately support decisions regarding labor and overhead rates selected when negotiating contract changes. Additionally, we found that for 13 of the 35 modifications (37 percent), NASA contracting officers used a higher rate than that proposed by the contractor or used a rate other than that recommended by DCMA (see table).

**Table. ISS Contract Modifications Reviewed**

<table>
<thead>
<tr>
<th>Contractor</th>
<th>Modifications Reviewed</th>
<th>Contract Actions Reviewed</th>
<th>Modifications with Varying Rates Used</th>
<th>Modifications with Unsupported Positions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Dollar Value</td>
<td>Number</td>
<td>Dollar Value</td>
</tr>
<tr>
<td>ARES⁴</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Barrios⁵</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Boeing</td>
<td>21</td>
<td>662,273.35</td>
<td>7</td>
<td>169,266.01</td>
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<td>Lockheed⁶</td>
<td>10</td>
<td>137,039.27</td>
<td>2</td>
<td>91,063.82</td>
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<tr>
<td><strong>Total</strong></td>
<td>35</td>
<td>799,312.62</td>
<td>9</td>
<td>260,329.83</td>
</tr>
</tbody>
</table>

⁴ The ARES modification reviewed was to exercise an option to extend the period of performance. Therefore, we did not review rates.

⁵ The Barrios modifications reviewed were competitive actions that satisfied adequate price competition and thereby exempt from the submission of cost or pricing data.

⁶ For one Lockheed modification, we were unable to determine or calculate the amount of hours or dollars (base value) affected. However, we were able to determine that higher rates than that proposed by the contractor and rates other than those recommended by DCMA were used, but not the total affected amount. Therefore, the dollar values would be increased.

Specifically, we found three modifications that used higher rates, three modifications that used lower rates, and seven modifications that used a combination of higher and lower rates than those proposed by the contractor or recommended by DCMA. Contracting officers are allowed wide latitude in negotiating contract costs and prices and may select a rate other than the lowest rate if the contracting officer determines, for example, that the lowest rate is significantly out of date.

For 9 of the 13 modifications for which varying rates were used, we found that documentation was not in the contract files to support the use of the higher rates than those proposed by the contractor or the rates used that were other than those recommended by DCMA. For example, the PPM or PNM would state that the contractor proposed rates were accepted as proposed because they were in accordance with the FPRA. However, the rates on the contracting officers’ spreadsheet did not match the
proposed rates. According to FAR 4.801 requirements, the ISS contracting officers should have sufficiently documented the contract files to provide a complete history of the transaction that supports the actions taken. Because they did not, we take issue with $260,330 (or $2,065,311 projected to the entire population) of the 9 modifications negotiated. The remaining 4 of the 13 modifications had sufficient documentation in the contract files to support the rates used. Overall, since the modifications reviewed were associated with cost reimbursable contracts, the contractors will eventually be paid their actual costs after review of costs and prices and negotiation of final overhead rates during contract closeout. After delivery and acceptance of the final supplies or services by NASA, administrative close-out procedures must ensure that among other things (1) all interim or disallowed costs are settled, (2) price revision is completed, (3) prior year indirect cost rates are settled, and (4) a contract audit is completed, as required by FAR 4.804-5, “Procedures for Closing Out Contract Files.” Therefore, we will not know whether NASA overpaid the ISS contractors until final cost negotiations have been completed.

**Documentation Supporting Rates Used Was Not Always Available in Contract Files**

The documentation in contract files should be sufficient to constitute a complete history of the transaction for providing a complete background as a basis for informed decisions at each step in the acquisition process; supporting actions taken; and providing information for reviews and investigations. Contracting personnel did not routinely place hard copies of the contracting officer’s spreadsheets identifying NASA’s position, FPRAs, and IGCEs in the contract files. Not having access to all the necessary documentation prevented us from determining if 7 of 59 contract actions were negotiated at fair and reasonable costs. For the remaining 52 contract actions, the rates used were found to be fair and reasonable.

We were unable to obtain all documentation that would have allowed us to compare the proposed rates, the Government negotiated rates, and DCMA recommended rates because the needed documentation was not maintained in the contract files. For 21 of 59 contract actions, contracting officers could not produce spreadsheets and/or FPRAs because personnel responsible for maintaining the files had retired or changed jobs or the documentation was lost. (However, for 14 of these 21 contract actions, we were able to obtain this data from other sources.) In addition, for 12 of the 59 contract actions in which the PPM or cost analysis cited a specific FPRA date, DCMA had no record of an FPRA with that date. It seems that the contracting officers cited e-mail dates (e.g., e-mails from DCMA confirming a rate) and not the FPRA dates.

In addition, 26 modifications comprised of 31 negotiated contract actions required that an IGCE be performed. The Station Program Implementation Plan stipulates that an IGCE be performed if the contract change request is more than $1 million and changes the contract baseline (new development or new content). We found that 7 modifications involving 9 negotiated contract actions did not have an IGCE in the contract file but met the criteria for having one prepared. ISS procurement management indicated that they could not provide us with evidence that an IGCE was performed to support the
negotiation of the 9 contract actions (29 percent of the total negotiated contract actions reviewed).

**Management Action**

At the conclusion of our review, we provided an update of our observations and findings to the ISS Vehicle Sustaining Team Lead/ISS Contracting Officer for the Boeing Contract (audit point of contact). Based on our update, the ISS procurement management took action to address our issue related to the lack of supporting documentation for all the contracts. An e-mail dated January 9, 2008, was sent to the ISS contracting group requesting that they implement the following changes:

- The contract file should contain a copy of all the detailed spreadsheets utilized to develop the Government’s objective and maximum positions in the Pre-Negotiation Position Memorandum;

- The contract file should contain a copy of all FPRAs and FPRRs that were utilized to develop the Government’s objective and maximum position in the Pre-Negotiation Position Memorandum; and

- Electronic copies of all FPRAs and FPRRs should be saved on the shared drive and everyone in the office should be aware of where the files are located.

Management actions taken were sufficient to address the lack of documentation related to contracting officer spreadsheets and FPRAs. However, management actions did not address the Station Program Implementation Plan requirement for completion of IGCEs or the requirement to provide contract file documentation that supports and explains the contracting officers’ use of rates other than those recommended by DCMA.

**Recommendation, Management’s Response, and Evaluation of Management’s Response**

ISS procurement management should reinforce the Station Program Implementation Plan requirements for development and documentation of IGCEs, when required, and reinforce compliance with FAR requirements to sufficiently document the contract file to support contract actions taken to include use of rates other than those recommended by DCMA.

**Management’s Response.** The Director, Johnson Space Center concurred, stating that ISS contract management requires constant vigilance due to the nature of the large, complex, and diverse issues that they encounter. The Station Program Implementation Plan is one tool they use to ensure the contracts are managed in an efficient and effective manner. During a March 12, 2008, procurement staff meeting that also included managers from the Assessments, Cost Estimating, and Schedules Office, the Manager of Space Station Procurement Office reiterated that
• when IGCEs are required for contract changes, those documents should be provided to the responsible contracting officers for inclusion in the contract files.

• contracting officers within the ISS Procurement Office will clearly document the contract file regarding indirect rates utilized for developing the Government’s negotiation position, especially if those rates are other than those recommended by DCMA.

**Evaluation of Management’s Response.** Management’s completed action is responsive. The recommendation is resolved and closed based on management’s corrective action taken.

We appreciate the courtesies extended during our audit. If you have any questions, or need additional information, please contact Mr. Vincent Scott, Procurement Director, Office of Audits, at 202-358-0546.

(signed) A. Dahnelle Payson for Evelyn R. Klemstine

2 Enclosures

cc:
Procurement Officer, Johnson Space Center
International Space Station Program Manager, Johnson Space Center
Scope and Methodology

We performed this audit from September 2007 through June 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our universe consisted of 81 modifications from four contracts valued at $1,697,577,583. We used EZ-Quant to determine the sample size and generate random numbers for selecting our sample items. Our sampling frame was the population of ISS contract modifications over $650,000, which is the Federal Acquisition Regulation (FAR) threshold for obtaining cost or pricing data, for fiscal years 2004 to 2007. We applied the Discovery Acceptance Sampling Approach under the guidance of the Defense Contract Audit Manual, Section B-403.1. We selected a risk factor of 10 percent, which generated a confidence level of 90 percent that the error would be detected in the sampled population. This resulted in a sample of 35 modifications valued at $213,977,647 from the universe of 81 modifications (43 percent). However, NASA occasionally combines several contract actions into a single negotiation. That practice of combining contract actions resulted in our reviewing 59 negotiated contract actions in total to determine our sample of 35 modifications. The two Russian contracts and modifications were not included in our review, and one Boeing contract was not included because it did not have any modifications over $650,000. Further, we limited our review exclusively to an evaluation of costs and did not consider other factors that might have influenced the contracting officers’ negotiations, such as quality, timeliness, or technical ingenuity.

We interviewed the ISS Vehicle Sustaining Team Lead/ISS Contracting Officer for the Boeing Contract to determine the procedure for processing a change request. We also interviewed and worked with various other ISS contracting officers to determine their rationale for what rates were used and agreed to when negotiating modifications as well as how their contract files were maintained.

We reviewed the contract files to determine if pertinent cost or price analyses documents such as technical evaluations, pricing reports, PPMs, PNMs, and applicable IGCEs were included in the contract files. We used the contracting officers’ spreadsheets, pricing reports, and PPMs to determine the labor and overhead rates proposed by the contractor and used by the Government. When possible, the rates were verified by checking the applicable DCMA FPRA or FPRR for approved or recommended rates or checking applicable DCAA reports for audited rates. (NASA may request DCAA to audit the FPRAs or FPRRs for accuracy and then rely on the audited results for the basis of negotiations.)

We relied on FAR and the NASA FAR Supplement for guidance concerning cost or price analysis.
Computer-Processed Data. We did not rely on computer-processed data to perform this audit.

Review of Internal Controls. We reviewed and evaluated the internal controls associated with negotiating contracts and the supporting documentation. Except for the internal control problem regarding documentation missing from contract files, we did not find reportable internal control weaknesses. Management action taken in response to our concerns about the lack of documentation corrects the identified internal control weakness.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the NASA Office of Inspector General (OIG) have issued four reports of particular relevance to the subject of this memorandum. Unrestricted reports can be accessed over the Internet at http://www.gao.gov (GAO) and http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY07/index.html (NASA).

Government Accountability Office

“Opportunities to Improve Pricing of GSA Multiple Award Schedules Contracts” GAO-05-229, February 2005

“Relocation of Space Shuttle Major Modification Work” GAO-03-294R, December 2002

National Aeronautics and Space Administration

“Subcontract Management by United Space Alliance under the Space Flight Operations Contract” IG-06-013, August 2006

“Florida Power and Light’s Contracting and Operating Practices at Kennedy Space Center” S-07-010-00, November 2007
July 21, 2008

TO: NASA Headquarters
   Attn: Assistant Inspector General for Auditing

FROM: AA/Director

SUBJECT: JSC’s Response to Draft Memorandum on International Space Station Contracts Government Cost and Price Analyses
          (Assignment Number A-07-020-00)

Thank you for the opportunity to comment on the subject draft memorandum. We are pleased that your detailed review found only documentation issues with our management of the International Space Station (ISS) contracts. The Space Station Procurement Office worked closely with the audit team during the course of this review, thus were able to immediately correct concerns noted during the review. We appreciate your acknowledgegment of the actions taken, and concur with the further recommended actions. The recommendation stated:

Recommendation: “ISS procurement management should reinforce the Station Program Implementation Plan requirements for development and documentation of IGCE’s when required and reinforce compliance with FAR requirements to sufficiently document the contract file to support contract actions taken to include use of rates other than those recommended by DCMA.”

JSC Response: Concur. Contract management for the ISS requires constant vigilance because of the nature of the large, complex and diverse issues which are encountered. The Station Program Implementation Plan is one tool developed for use by the ISS Program in conjunction with existing procurement regulations to ensure that our contracts are managed in an efficient and effective manner. The following actions were taken to address your recommendation. On March 12, 2008, at a staff meeting, which included Managers in the Office of Assessment, Cost Estimating and Scheduling, the Manager of the Space Station Procurement Office reiterated the following:

- The requirements in Space Station Implementation Plan Annex G requires the development and documentation of Independent Government Cost Estimates (IGCE’s) and if those IGCE’s are for contract changes that those documents should be provided to the responsible Contracting Officer for incorporation into the contract files.

The staff meeting was for the procurement staff.
The Contracting Officers within the Space Station Procurement Office will clearly document the contract file regarding what indirect rates are being utilized to develop the Government’s negotiation position especially if other than those recommended by Defense Contract Management Agency.

Based on actions taken, we request closure of this recommendation on issuance of the final memorandum. If you have any questions regarding this response, please contact Ms. Patsy Ritterhouse, JSC Audit Liaison Representative, at 281-483-4220 or patsy.h.ritterhouse@nasa.gov.

Michael L. Coats
Director

cc:
AC3/L. Dyer
AC3/P. Ritterhouse
BG/J. Trahan
HQ/D/P. Roberts
HQ/HK/P. Flynn