TO: William P. McNally  
Assistant Administrator for Procurement

FROM: Paul K. Martin  
Inspector General

SUBJECT: Evaluation of Agency Comments on the Audit of NASA’s Grant Administration and Management (Report No. IG-11-026)

On September 26, 2011, the Assistant Administrator for Procurement submitted NASA’s comments in response to the final Office of Inspector General audit report issued on September 12, 2011. We analyze that response below and describe the steps necessary to close the recommendations.

**Recommendation 1.** The Assistant Administrator for Procurement should revise grant requirements to clearly define the criteria for evaluating an unsolicited proposal, including the requirements related to justifications for making awards based on unsolicited proposals.

**Management’s Response.** Partially concur. In accordance with 14 CFR 1260.17, “Evaluation and Selection of Unsolicited Proposals,” NASA wholly adopts the requirements, conditions, considerations, criteria, and proscriptions set forth in the Federal Acquisition Regulation (FAR) Part 15.6, “Unsolicited Proposals.” NASA submits that the requirements and criteria set forth in Part 15.6 are detailed, unambiguous, and explicit (Ref. 15.603, 15.606-1, 15.606-2, and 15.607). These requirements are currently referenced in the NASA Grant and Cooperative Agreement Handbook (hereafter, “Grant Handbook”). We are incorporating the text of these requirements as part of a major rewrite of the Grant Handbook. We expect the rewrite to be completed in six months. However, the Office of Procurement will issue a reminder to grant officers of the current requirements concerning unsolicited proposals within 30 days.

**Estimated Completion Date:** April 30, 2012

**Evaluation of Management’s Response.** While the Assistant Administrator for Procurement partially concurred with this recommendation, the Agency’s proposed corrective actions to incorporate into the Grant Handbook specific information from FAR Part 15.6 regarding the proper treatment of unsolicited proposals and to remind grant officers...
of current requirements fully meet the intent of our recommendation. Accordingly, we consider this recommendation resolved and will close the recommendation upon verifying that the Office of Procurement has made the specified revisions to the Grant Handbook.

**Recommendation 2.** The Assistant Administrator for Procurement should strengthen the competitive requirements in the Handbook regarding competing grant awards, including clearly defining (a) the role of the grant officer and technical officer and (b) when unsolicited proposals should be awarded for research, education, and training activities.

**Management’s Response.** Partially concur. NASA has current processes to review and approve proposed non-competitive grant and cooperative agreement actions. However, the NASA Office of Procurement will review the current roles and responsibilities of the grant and technical officers and determine changes to the Grant Handbook that may be necessary to better define and strengthen these roles. The resulting changes will be incorporated in the major rewrite of the Grant Handbook, which is anticipated to be completed in six months.

**Estimated Completion Date:** April 30, 2012

**Evaluation of Management’s Response.** The comments of the Assistant Administrator are partially responsive to our recommendation. The proposed corrective action to review the current roles and responsibilities of grant and technical officers and make any necessary changes to the Grant Handbook based on that review is responsive to part (a) of our recommendation. However, the Agency did not address part (b) of our recommendation, to better define when unsolicited proposals should be awarded for research, education, and training activities. We understand from the Agency’s response to Recommendation 1 that specific information from FAR Part 15.6 related to the proper treatment of unsolicited proposals will be incorporated into the revised Grant Handbook. By doing so, the Agency may address part (b) of our recommendation. Accordingly, we consider our recommendation resolved and will close it once we have verified that the Office of Procurement has revised the Grant Handbook to better define roles and the appropriate treatment of unsolicited proposals.

**Recommendation 3.** The Assistant Administrator for Procurement should expand on the newly initiated “Grant Boot Camp” training and establish a formal, recurring training program for grant officers and technical officers that, among other topics, addresses the issue of choosing the appropriate type of award instrument.

**Management’s Response.** Concur. NASA recognizes the importance of maintaining a properly trained workforce. In fact, the Office of Procurement (OP) has conducted video training as recently as March 2011 to NASA personnel. Accordingly, the OP, in conjunction with the NASA Shared Services Center (NSSC), will assess training requirements and determine resources needed to establish a formal recurring training program for grant and technical officers. This assessment will be completed within three months. In the meantime, we will continue to meet training needs as they arise.

**Estimated Completion Date:** January 31, 2012
Evaluation of Management’s Response. The comments of the Assistant Administrator for Procurement are responsive to our recommendation. As a result, this recommendation is resolved and will be closed when the Office of Procurement provides documentation supporting implementation of a formal, recurring training program for grant and technical officers.

**Recommendation 4.** The Assistant Administrator for Procurement should establish internal controls, policies, and procedures to require the independent review and approval of all grants and supplements for propriety of award competition, justification, and choice of instrument prior to award.

**Management’s Response.** Partially Concur. NSSC has established internal controls that involve an independent review for grants and cooperative agreements they award and administer. For the other supplement actions involving augmentation and/or increases to the total award value, the NSSC has implemented new internal management controls and procedures that require the NSSC Independent Reviewer to review and approve the proposed actions for appropriateness prior to issuance by the NSSC grant officers. The OP will review the extent of internal controls at the NASA Centers other than the NSSC with the intent to strengthen Center processes. This assessment will be completed within four months.

NASA’s OP recently issued new policy and internal management controls and procedures requiring all non-competitive actions to be reviewed and approved either by the NSSC Independent Reviewer, the NSSC Procurement Officer, or the Assistant Administrator for Procurement; dependent upon the total value of the non-competitive action. The purpose of the independent review is to ensure that all unsolicited proposals are valid, sufficiently and properly justified, and meet all requirements, conditions, consideration, criteria, and proscriptions set forth in 14 CFR 1260.17, “Evaluation and Selection of Unsolicited Proposals,” and FAR Part 15.6 (ref. NASA Grant Information Circular 11-02, dated May 24, 2011).

**Estimated Completion Date:** February 28, 2012

**Evaluation of Management’s Response.** Although the Assistant Administrator indicated only partial concurrence with our recommendation, we find the proposed corrective action to review and strengthen internal controls at the NASA Centers fully responsive to the intent of our recommended. Specifically, the review and improvement of internal controls, policies, and procedures for the independent review and approval of grants and supplements will help ensure that grants are awarded appropriately and in accordance with NASA requirements. As a result, this recommendation is resolved and will be closed once we have received, reviewed, and determined the sufficiency of documentation supporting the completion of the assessment and evidence of the implementation of necessary internal controls at the NASA Centers.

**Recommendation 5.** The Assistant Administrator for Procurement should improve internal controls, policies, and procedures for performing periodic examinations of grantee expenditures such as desk reviews and site visits in order to identify unallowable and unsupported
expenditures and increase the oversight necessary to ensure that grant funds are used for their intended purpose.

**Management’s Response.** Concur. NASA is currently in the process of renewing its “Memorandum of Agreement” with the Office of Naval Research (ONR) for Grant Administration Services. Under the terms of the Memorandum of Agreement, ONR agrees to perform administrative and audit functions such as identifying unallowable and unsupported expenditures when delegated by the grant officer and funded by NASA. Within 30 days, the OP, in conjunction with NSSC, Mission Directorates, and ONR, will initiate the review and development of procedures for the performance of periodic examinations and/or surveys of grantee expenditures to include desk reviews and site visits in order to identify unallowable and unsupported expenditures and increase the oversight needed to ensure funds are used for their intended purposes.

**Estimated Completion Date:** November 30, 2011

**Evaluation of Management’s Response.** The comments of the Assistant Administrator for Procurement are responsive to our recommendation. As a result, this recommendation is resolved and will be closed when we receive documentation supporting renewal of the Agency’s Memorandum of Agreement with the Office of Naval Research documenting the monitoring services to be rendered as well as the procedures for performance of periodic examinations or surveys of grantee expenditures to include desk reviews and site visits to identify unallowable and unsupported expenditures.

**Recommendation 6.** The Assistant Administrator for Procurement should remedy the $6,086 in unauthorized costs for the purchase of unapproved equipment.

**Management’s Response.** Partially concur. NASA recognizes and agrees that the recipient in this instance did not list the equipment in the original budget and failed to obtain NASA’s approval prior to acquiring a biosafety cabinet. NASA permits acquisition of special purpose and general purpose equipment specifically required for use exclusively for research activities. Subsequent to the OIG’s identification of the recipient’s omission, the recipient provided a description and purpose of the equipment, a statement that the cabinet has been used and will continue to be used exclusively for research activities, and evidence of having obtained quotes from three vendors for the equipment. The vendor chosen offered the lowest price. The NASA technical officer determined the biosafety cabinet to be integral to performance of the research and that its replacement was an unforeseen event and expense; the technical officer fully concurs with the purchase. Based upon the circumstances surrounding this unforeseen event and the urgent need for the biosafety cabinet to continue the research, NASA considers the equipment purchase to be in the best interest of the Government, and the NSSC grant officer approved the transaction on September 7, 2011.

**Evaluation of Management’s Response.** The Assistant Administrator for Procurement agreed that the recipient in this instance did not list the equipment in the original budget and failed to obtain NASA’s approval prior to acquiring the item. However, the Agency has remedied the questioned purchase by verifying the need for the item with the grantee and determining that the lowest price was selected for the purchase of the equipment. Further,
the NASA technical officer determined the equipment to be integral to the performance of the research and the necessary purchase to be an unforeseen event and expense; therefore, retroactive approval for this purchase has been granted by the Agency. While the Assistant Administrator indicated only partial concurrence with our recommendation, the corrective action he described fully responds to our recommendation. Accordingly, the recommendation is resolved and will be closed when we receive documentation to support the determination made by the Agency that the equipment was necessary, lowest in price, and has been retroactively approved.

**Recommendation 7.** The Assistant Administrator for Procurement should return to the Space Grant Program the $292,568 in unallowable costs for funds used for other than Space Grant purposes.

**Management’s Response.** Partially concur. NASA acknowledges and agrees that the Office of Education (OE) chose an incorrect instrument to obtain the supplemental activities involving the Virginia Space Grant. Notwithstanding the incorrect choice of instruments, the Agency benefited from the work and legitimate work was performed and allowable costs were incurred by the grantee. According to the OE, the questioned Space Grant Program funds were used exclusively and entirely for Space Grant Program purposes and were sourced from the Space Grant Program. Additionally, the work met a legitimate need of the Space Grant Program. While the work was accomplished under a grant rather than a contract, the costs remain allowable. Therefore, there is no basis to return funds to the Space Grant Program from either the grantee or the OE.

As provided in our responses to Recommendations 3 and 4 above, the Agency will develop and implement both a formal recurring training program and internal management controls and procedures that will help prevent such actions from occurring in the future.

**Evaluation of Management’s Response.** The comments of the Assistant Administrator for Procurement are not responsive to our recommendation. The basis for returning the funds to the Space Grant Program is found within the congressional committee report language that designates the amount of funding to be awarded to grantees and restricts the amount of money that NASA was authorized to use in its administration of the Space Grant Program. Specifically, legislative history accompanying Appropriations Acts for FY 2005 and FY 2009 identified that for NASA Space Grants, not more than $1,000,000 shall be retained for program administration.1,2 Further, the 2006 conference report set forth specific grant funding amounts, leaving $650,000 for other expenses.3 Because the $292,568 was used for the purpose of program administration under the guise of a grantee award, we have cause for concern that the Agency may have circumvented the congressional intent for administrative costs and used grantee funds to supplement its administrative budget. Although we made

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1 House Appropriations Committee Print for “Omnibus Appropriations Act, 2009” (Public Law 111-8), March 11, 2009.


numerous requests for supporting documentation to verify the Space Grant Program administration costs incurred by the Agency, we did not receive the requested documentation.

As a result, we remain unable to determine whether the costs incurred by the Office of Education for administration of the Program that were paid with Space Grant Program funds exceeded the intended threshold of administrative costs. Accordingly, this recommendation is unresolved and will be considered resolved when the Office of Procurement either provides sufficient documentation detailing the administrative costs funded by the Space Grant Program for Program fiscal years 2005, 2006, and 2009 or when the grant funds in question are returned to the Space Grant Program.

Recommendation 8. The Assistant Administrator for Procurement should revise the Handbook to require a minimum threshold for all grantee budget deviations (excluding categories already requiring approval) and that technical officers approve budget deviations in excess of such threshold prior to the expenditure of grant funds.

Management’s Response. Concur. NASA will establish a minimum threshold for budget deviations consistent with 2 CFR §215.25 and require approval by technical officers for budget deviations in excess of that threshold. The resulting changes will be incorporated in the major rewrite of the Grant Handbook, which is anticipated to be completed in six months.

Estimated Completion Date: April 30, 2012

Evaluation of Management’s Response. The comments of the Assistant Administrator for Procurement are responsive to our recommendation. As a result, this recommendation is resolved and will be closed when the Office of Procurement implements the revised Grant Handbook, establishing a minimum threshold for budget deviations consistent with 2 CFR §215.25 and requiring approval by technical officers for budget deviations in excess of that threshold.

Recommendation 9. The Glenn Research Center Director should develop and implement a plan to ensure that future awards for the Lewis Education and Research Collaborative Internship Program and other educational programs are competitively announced and proposals are independently reviewed and approved prior to award.

Management’s Response. Concur. Glenn Research Center (GRC) will conduct a competitive Request for Proposal (RFP) for Education Support Services in which the Lewis Education and Research Collaborative Internship Program (LERCIP) will be a contract line item. The Center plans to issue the RFP this fall and anticipates awarding the contract no later than June 30, 2012. The contract will have a base period of performance and four one-year options. This will allow GRC to phase out of the current LERCIP grant and obtain LERCIP support via the new contract in 2013.

Evaluation of Management’s Response. The comments of the Glenn Research Center Director are responsive to our recommendation. As a result, this recommendation is resolved and will be closed when the Glenn Research Center issues a competitive Request for Proposal and awards the contract for the related education support services.
We appreciate the courtesies extended during our audit. Please direct any questions to Laura Nicolosi, Mission Support Director, Office of Audits, at 202-358-2562 or laura.b.nicolosi@nasa.gov, or to Joseph Shook, the Project Manager for this review, at 216-433-9714 or joseph.a.shook@nasa.gov.

cc: Lou Becker
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