



March 24, 2008

TO: Assistant Administrator for Procurement
Assistant Administrator for Legislative and Intergovernmental Affairs

FROM: Assistant Inspector General for Auditing

SUBJECT: Final Memorandum on Audit of NASA's Documentation of Readiness for
Award Form Usage for Site-Specific Earmarks (Report No. IG-08-013;
Assignment No. A-06-028-01)

The Office of Inspector General (OIG) conducted an audit of NASA's management and funding of fiscal year (FY) 2006 site-specific earmarks. This audit is related to our "Audit of NASA's Management and Implementation of FY 2006 Congressional Earmarks" (Report No. IG-07-028, August 9, 2007), which was provided to the Administrator without recommendations. The overall objective of this audit was to assess NASA's process for awarding site-specific congressional earmarks. NASA defined a site-specific earmark as funding directed to specific activities and identified facilities, recipients, or both that should perform the work. Specifically, we assessed whether NASA personnel followed established procedures for evaluating and awarding site-specific earmarks.

To accomplish that objective, we reviewed procurement files for 30 statistically selected site-specific earmarks. See Enclosure 1 for details on our scope and methodology.

Executive Summary

We found that NASA personnel followed the Agency's policies and procedures for evaluating and awarding earmarks and that the policies and procedures are generally adequate for their intended purpose. However, we found that, in a couple of respects, the policies could be improved. Specifically, out of the 29 earmark grants (1 site-specific earmark was awarded as a contract) in our sample, we found that period of performance data were incorrectly documented on the "Documentation of Readiness for Award" (DORA) form for 20 earmark grants (69 percent) and 3 earmark grants (10 percent) contained incorrect estimates of the value of work to be performed by NASA. This was because NASA policies do not define what should be included in period of performance and the value of work to be performed by NASA elements on the DORA form.

Our February 1, 2008, draft of this memorandum recommended that the Assistant Administrator for Legislative and Intergovernmental Affairs issue guidance for accurately documenting period of performance and work to be performed by NASA on the DORA forms.

Management's comments on the draft of this memorandum are responsive (see Enclosure 5), and we have closed the recommendation.

Background

NASA's FY 2006 budget of \$16.6 billion included 199 earmarks with congressionally directed funding of \$568.2 million, or 3.4 percent of the Agency's budget. NASA characterized 12 of the 199 as programmatic earmarks because they directed the use of \$280.7 million in appropriated funding to existing NASA programs. NASA characterized the remaining 187 as site-specific earmarks because they directed the use of \$287.5 million in appropriated funding to specific activities and identified facilities, recipients, or both that should perform the work. To meet our audit objective, we reviewed a statistically selected sample of 30 site-specific earmarks, valued at \$40.7 million (see Enclosure 2). Of the 30 earmarks that we reviewed, 29 were awarded as grants and 1 was awarded as a contract.

In FY 2006, NASA's Office of Procurement issued Grant Information Circular (GIC) 06-01, "Additional Guidance Related to the Processing of Congressional Interest Items (Earmarks)," April 12, 2006, which provides criteria for the pre-award evaluation of earmark grant proposals. Additionally, the Office of Legislative and Intergovernmental Affairs (OLIA) issued a memorandum, "FY 2006 Congressional Earmarks," April 12, 2006, to define the procedural requirements for the evaluation and award of FY 2006 earmarks and to provide general guidance to the Mission Directorates and Centers for processing proposals. Enclosure 3 depicts NASA's process for identifying, awarding, and monitoring site-specific earmarks. The OLIA memorandum requires the appropriate NASA technical officer to complete a DORA form for each earmark grant. The DORA form is the Agency's internal record for each earmark. See Enclosure 4 for an example of the FY 2006 DORA form.

Personnel Followed Policies and Procedures

We reviewed documentation in the procurement files for the 30 statistically selected site-specific earmarks in our sample and concluded that Agency personnel generally followed NASA's procedural requirements for evaluating and awarding earmarks contained in GIC 06-01 and the OLIA memorandum. Consequently, NASA has reasonable assurance that personnel adhered to policies and procedures for processing the award of earmarks. The following table lists the documentation that is required to be included in the earmark procurement files and the compliance rates that we found.

Documentation Required to Be Included in the Procurement File	Compliance Rate (percent)
Documentation of Readiness to Award (DORA) form	100
DORA form completed and signed by the technical officer	100
DORA form with indication that it has been reviewed and approved by the Center Chief Financial Officer	100
DORA form with evaluation rating (ensure it agrees with technical evaluation)	87
DORA form with accurate amount awarded to the recipient	87
Signed award instrument	100
Request for Proposal	87
Recipient's detailed cost budget	100
Recipient's technical proposal	100
Evidence that the technical officer performed a technical evaluation	97
Evidence that the grants officer performed a cost reasonableness evaluation	98

Identified Weaknesses Indicate Areas for Policy Improvements

NASA could improve the administrative documentation of site-specific earmarks by providing guidance that defines the period of performance and work to be performed by NASA. We identified weaknesses that resulted in incorrect documentation of data on the DORA forms. Consequently, while NASA has reasonable assurance that personnel adhered to policies and procedures for processing the award of earmarks, NASA has limited assurance that DORA forms contained accurate information.

Undefined Terms for Award Information. The OLIA memorandum does not provide sufficient guidance for completing the DORA form. Among other items, the memorandum requires the technical officer to enter the grant period of performance and the value of work to be performed by NASA on the DORA form. We examined the DORA forms for the 29 earmarks from our sample that NASA had awarded as grants. We found the following errors:

- For 20 of 29 earmarks (69 percent), the DORA form contained incorrect information for the period of performance. For 11 of the 20 earmarks (55 percent), the period of performance on the DORA form did not agree with the period noted on the award instrument. For 9 of the 20 earmarks (45 percent), the

DORA form showed the period of performance in length of time (e.g., 1 year, 12 months) rather than as specific begin and end dates.

- For 3 of the 29 earmarks (10 percent), the DORA form contained incorrect estimates of the value of work to be performed by NASA. Specifically, the DORA form for 1 earmark did not include the value of NASA work, and DORA forms for 2 earmarks incorrectly reported the value of the work that NASA planned to perform.

These errors occurred because the OLIA memorandum did not provide clear guidance to technical officers on how to complete the DORA elements for period of performance and value of work to be performed by NASA. Technical officers lacked a clear, consistent definition of the required information. Consequently, the Agency's internal record could contain inaccurate award information.

Recommendation, Management's Response, and Evaluation of Management's Response

We recommended that the Assistant Administrator for Legislative and Intergovernmental Affairs issue an updated memorandum with detailed guidance for accurately documenting period of performance and work to be performed by NASA on the DORA forms.

Management's Response. The Assistant Administrator for Legislative and Intergovernmental Affairs concurred with the recommendation. OLIA will define the DORA elements for the period of performance and the value of work to be performed by NASA as part of the Agency's guidance for FY 2008 earmarks. In addition, OLIA will revise the DORA form so that the "period of performance" and "in-house work" sections will contain more specific annotation requirements as well as procurement definition and citation.

Evaluation of Management's Response. Management's comments are responsive. OLIA issued a memorandum, "FY 2008 Site Specific Congressional Earmarks," on March 17, 2008. The memorandum defines DORA elements for the period of performance and the value of work to be performed by NASA. Additionally, the memorandum includes the FY 2008 DORA form, with revisions, making previous versions of the DORA form obsolete. The recommendation is resolved and closed.

We appreciate the courtesies extended during our audit. If you have any questions, or need additional information, please contact Mr. Raymond Tolomeo, Science and Aeronautics Research Director, at 202-358-7227.

signed

Evelyn R. Klemstine

5 Enclosures

cc:

Deputy Assistant Administrator for Legislative Affairs

Scope and Methodology

We performed this audit from April 2007 through February 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.

For the audit, we defined a congressional earmark as a provision of law, a directive, or item represented in any table, chart, or text contained within a joint explanatory statement or a report accompanying a bill that specifies the identity of an entity, program, project, or service and the amount of the assistance to be received. We used NASA's characterization of an earmark as either a programmatic or site-specific earmark. Audit conclusions were based on a statistically selected sample of 30 site-specific earmarks, valued at \$40.7 million. Those earmarks were included in the Conference Report for the FY 2006 NASA appropriation.

To determine whether NASA personnel followed established procedures for evaluating and awarding site-specific earmarks, we tested compliance with control procedures put in place over NASA's earmark process. We identified procedural requirements for earmarks in GIC 06-01 and OLIA memorandum, "FY 2006 Congressional Earmarks," April 12, 2006. We reviewed grant awards, technical evaluations, and other documentation to determine compliance with requirements. We interviewed OLIA, Headquarters, program, and Center personnel as well as technical officers to confirm our observations. We summarized compliance rates for the 30 earmarks in our sample (see the table on page 3).

Additionally, we analyzed control activities in NASA's process for awarding site-specific earmarks. The analysis applied standards from Office of Management and Budget Circular No. A-123, "Management's Responsibility for Internal Control," December 21, 2004, and Government Accountability Office "Standards for Internal Control in the Federal Government," November 1999.

Computer-Processed Data. We did not use computer-processed data to perform this audit.

Prior Coverage. "NASA's Management and Funding of Fiscal Year (FY) 2006 Congressional Earmarks" (IG-07-028, August 9, 2007), available over the Internet at <http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY07/index.html>, reports our conclusion that 70 percent of FY 2006 site-specific earmarks generally aligned with the Agency's priorities for advancing its mission and goals. In addition, 70 percent of the funding for site-specific earmarks aligned with NASA's priorities, while 30 percent (\$86.5 million) did not.

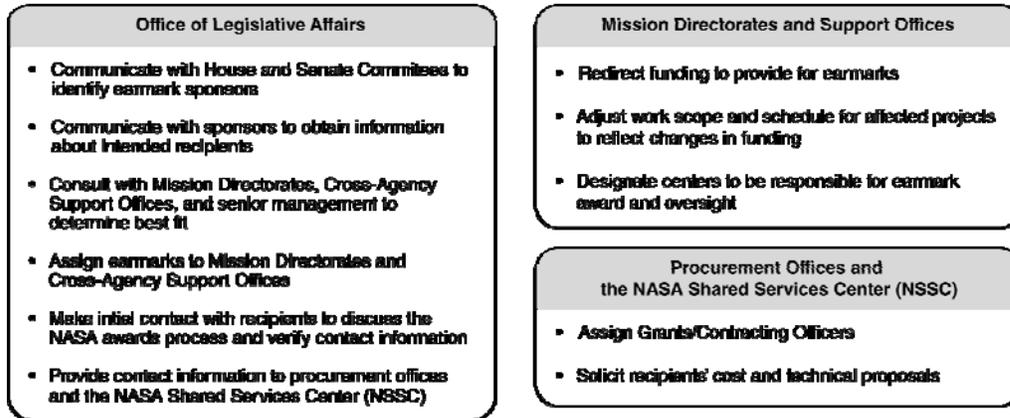
Statistically Selected Site-Specific Earmarks

Site-Specific Earmark in Each Mission Directorate or Cross-Agency Support Office	Amount
Aeronautics Research	
Research of propagating and predicting uncertainty in dynamic systems	\$3,000,000
Aeronautics research of which \$1 million is for a demonstration of the Navy's Joint Aviation Technical Data Integration program into civilian applications	4,000,000
Education	
Space exploration education program	700,000
Collegiate innovative teacher training initiative	1,000,000
University academic programs	1,000,000
Collegiate integrated education center	1,000,000
Public school system math and science programs	150,000
Space education learning center	600,000
Science center exhibits	250,000
University education initiative	1,000,000
Exploration Systems	
Collaborative research on innovative carbon nanotechnology	1,000,000
Space technology program	1,000,000
University development and enhancement of space flight technologies	1,000,000
Program for high-power pulsed inductive thruster technology research	2,000,000
University research of rejuvenating injured tissues for enhanced wound healing	1,000,000
Laboratory initiative for a modeling and simulation test bed environment	1,000,000
Support for research in nanotechnology and biotechnology	2,000,000
Support for research and development in nanotechnology, biotechnology, and information technology	2,000,000
Other Cross-Agency Support Offices	
Research of grid computing-based evolutionary design techniques across NASA applications	4,500,000
Infrastructure upgrades to accommodate unmanned aerial vehicles	4,000,000
Initiative for NASA education K-12	200,000
Science	
University center for earth observing research	2,000,000
Collaborative research of earth science applications	2,000,000
University research of deep submicron radiation hard electronics	500,000
University laboratory for advanced scintillator materials	800,000
University support of a large millimeter telescope project	750,000
Project to support geospatial sciences	200,000
University research of Sun-climate and extra solar planets	300,000
University digital image archive center	750,000
University center for space and planetary sciences	1,000,000
Total site-specific earmarks (30)	\$40,700,000

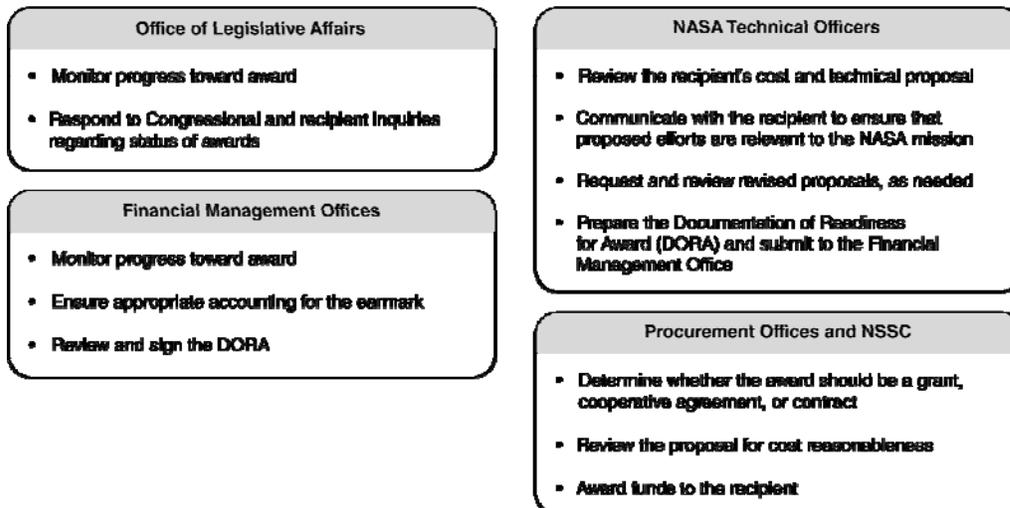
NASA's Process for Identifying, Awarding, and Monitoring Site-Specific Earmarks

Within each of the phases illustrated below, some tasks are performed concurrently rather than sequentially.

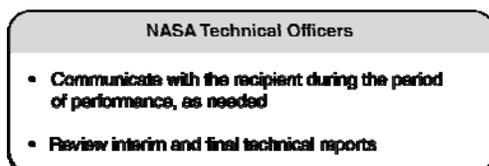
Identification Phase



Proposal Evaluation and Award Phase



Monitoring and Performance Evaluation Phase



NASA's FY 2006 Documentation of Readiness for Award Form

3/30/06

FY 2006 Documentation of Readiness for Award

Congressionally directed item reference:

Recipient Institution or Contractor and Mailing Address:

Proposal Title or Project Description:

Type of Award (Grant or Contract): _____ New Contract? _____

Original Appropriation in Conference Report

Post-Rescission Amount:

Post Corporate G&A Amount:

Post Center G&A Amount released by OCFO:

Award Amount: _____ Period of Performance: _____

Recipient Administrative Point of Contact (Name/Phone/Email):

Recipient Investigator or Technical Point of Contact (Name/Phone/Email):

Indicate Number of Iterations Required to Obtain an Acceptable Proposal: _____

Work Being Performed In-House/Value:

Evaluation Result and Rationale:

Circle one for each criterion:

Relevance / Alignment (Strong – Moderate – Marginal – None)

Merit (Strong – Moderate – Marginal – None)

Cost Reasonableness (Strong – Moderate – Marginal – None)

Rationale:

Signature of Technical/Program Officer/Date

Signature of Center CFO or Representative/Date

Director, HQ Facilities Engineering and Real Property Division/Date -- if applicable (e.g. for real property such as facilities, buildings, equipment, land)

Management's Comments

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

March 12, 2008



Reply to Attn of:

OLIA

TO: NASA Office of Inspector General
ATTN: Ms. Evelyn Klemstine
Assistant Inspector General for Auditing

FROM: Assistant Administrator for Legislative and Intergovernmental Affairs

SUBJECT: Comments on Draft Memorandum on Audit of NASA's Documentation of Readiness for Award Form Usage for Site-Specific Earmarks (Assignment No. A-06-028-01)

As requested in OIG draft memorandum dated February 1, 2008, we submit our responses to the recommendations below.

OIG Recommendation I:

"The Assistant Administrator for the Office of Legislative and Intergovernmental Affairs (OLIA) issue an updated memorandum with detailed guidance for accurately documenting period of performance."

OLIA Response: Concur with Comment

OLIA concurs with the recommendation that OLIA provide a definition for "period of performance," as part of guidance for implementation of FY 2008 NASA earmarks, to better enable a more consistent response by Technical Officers, as part of the Documentation of Readiness Award (DORA) document.

NASA's Office of Procurement defines "period of performance" as "the time between the effective date of the award and the completion date of the award set forth on the award document," for example, April 1, 2008 to March 31, 2009 (see 14 C.F.R. 1260.3). This definition will be noted in the FY 2008 General Earmark Guidance Memorandum, which will be distributed by OLIA by COB, March 12, 2008 (copy to be provided to OIG). We will also revise the DORA's "period of performance" section to better align with the NASA Form 1687, NASA Grant and Cooperative Agreement (also known as the Award Document). The DORA will now include: "Effective Date" and "Completion Date" as well as Procurement definition and citation.

It should be noted that the NASA Award Document is the formal Agency record for award information for earmarks and other grants and cooperative agreements.

Compared with the NASA Award Document, the DORA is an informal, internal, one-page summary of earmark implementation, retained by OLIA. The DORA provides a record of the earmark proposal evaluation (specifically how the proposal scored on merit review), the number of iterations required to achieve an acceptable proposal, the procurement vehicle to be

used (grant, cooperative agreement, or contract), and the amount of the award, after adjustments for statutory rescissions, and/or NASA administrative charges, etc. DORAs are maintained within OLIA as an information source for responding to questions from the Committees on Appropriations and for analysis, as required, by other Headquarters offices.

It should also be noted that, if questions from the Committees on Appropriations arise regarding earmark awards/implementation, OLIA's practice is to contact the cognizant Center/NSSC procurement officer to ensure that the award information provided is current/complete/factual.

OIG Recommendation II:

"The Assistant Administrator for the Office of Legislative and Intergovernmental Affairs (OLIA) issue an updated memorandum with detailed guidance for accurately documenting in-house work."

OLIA Response: Concur with Comment

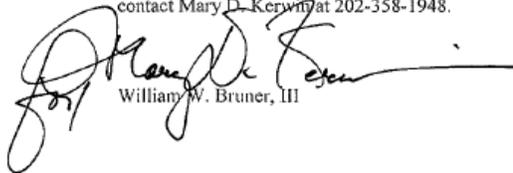
OLIA concurs with the recommendation to provide a definition for "in-house work," as part of guidance for implementation of FY 2008 NASA earmarks, to better enable Technical Officers to render a more accurate award amount as part of the DORA.

NASA Office of Procurement generally defines "in house work" as work performed by civil servants, rather than by contractors or the recipients of grants and cooperative agreements (for example, see 48 CFR 7.305(c)). The aforementioned definition will be referenced in the FY 2008 General Earmark Guidance Memorandum, which will be distributed by OLIA by COB, March 12, 2008 (copy to be provided to OIG). In addition, we will revise the DORA form to more effectively display funding amounts, vis-à-vis the total amounts stipulated by the Committees on Appropriations, as modified by reductions in Corporate G&A, and whether any portion of that funding will be used to perform "in house work" as well as Procurement definition and citation.

In sum, the DORA form will now display an accounting of the funding available for the earmark, after reductions in Corporate G&A, including use of any portion thereof for "in house work."

Again, we wish emphasize that the DORA form is not the official Agency award vehicle, but rather an internal evaluation that provides OLIA a summary assessment of earmark implementation. As noted earlier, if OLIA receives questions from the Committees on Appropriations on awards/implementation, it is OLIA's practice to contact the cognizant Center/NSSC procurement officer to ensure that the award information provided is current/complete/factual.

If you have any questions or need additional information regarding our comments, please contact Mary D. Kerwin at 202-358-1948.



William W. Bruner, III