ELECTRONIC COMMERCE: NASA’S ACQUISITION OF OFFICE SUPPLIES

February 23, 2000
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Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>CCI</td>
<td>Consolidated Contracting Initiative</td>
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<tr>
<td>EC</td>
<td>Electronic Commerce</td>
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<tr>
<td>FACNET</td>
<td>Federal Acquisition Computer Network</td>
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<tr>
<td>FAR</td>
<td>Federal Acquisition Regulation</td>
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<td>FASA</td>
<td>Federal Acquisition Streamlining Act</td>
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<td>FSS</td>
<td>Federal Supply Service</td>
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<td>GSA</td>
<td>General Services Administration</td>
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<td>JIT</td>
<td>Just-in-Time</td>
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<td>NAIS</td>
<td>NASA Acquisition Internet Service</td>
</tr>
<tr>
<td>OGP</td>
<td>Office of Governmentwide Policy</td>
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</tbody>
</table>
TO: A/Administrator
FROM: W/Inspector General
SUBJECT: INFORMATION: Audit of Electronic Commerce: NASA’s Acquisition of Office Supplies
Report Number IG-00-008

The NASA Office of Inspector General has completed an audit of NASA’s use of electronic commerce (EC) as it pertains to the acquisition of office supplies. We found that some NASA installations are not using the most cost-efficient method to acquire office supplies. A few installations are using the General Services Administration’s (GSA’s) electronic commerce application to obtain office supplies, while other installations have negotiated their own contracts with vendors to obtain those supplies. Two installations were also still operating office supply stores at the time of the audit. As a result, NASA installations are incurring unnecessary expenses for the acquisition of office supplies and for the administration and maintenance of separate office supply catalogs and other support services. Total NASA expenditures for office supplies during fiscal year 1998 exceeded $17 million.

Background

NASA is participating in a Federal Electronic Commerce Program and has taken a leadership role in EC. Through the NASA Acquisition Internet Service, the Agency posts on the Internet all synopses and competitive solicitations valued at more than $25,000. In addition, NASA is implementing an Agencywide Consolidated Contracting Initiative (CCI). The CCI goal is to develop a core of world-class contracts that will enable NASA to acquire common goods and services quickly, at a fair and reasonable price, and at a low administrative cost. Under the CCI, NASA installations may also use a contract created by another agency, and in doing so, incur only minimal costs for the ongoing administration of that contract. The GSA offers GSA Advantage, an EC application, in which GSA enters into contracts with commercial firms to provide supplies and services (including office supplies) at stated prices for specified periods. Using this application, GSA provides customers with literally millions of state-of-the-art, high-quality commercial products and related services at volume discount pricing on a direct delivery basis. This application also provides short lead times on orders, low administrative costs, and reduced inventories. GSA Advantage is available through NASA’s CCI.
Recommendations

We recommended that the Associate Administrator for Procurement evaluate the office supplies support programs at NASA installations and determine whether their existing processes are cost-effective and meet customer requirements. If the processes were found to be not cost-effective or not meeting customer requirements, then the installations should implement alternative processes. We also recommended that the Directors, Kennedy Space Center and Marshall Space Flight Center, take appropriate action to expedite the closure of their respective Center’s supply store.

Management Response and OIG Evaluation

Management concurred with the finding and recommendations. The Associate Administrator for Procurement in coordination with the Associate Administrator for Management Systems agreed to send a letter to all Center Directors requesting that their Logistics and Procurement Offices evaluate their current processes for acquiring office supplies. Additionally, the Directors, Kennedy Space Center and Marshall Space Flight Center, stated that work is planned or already under way to close both supply stores in an orderly and expeditious manner.

The actions taken by management are responsive to the recommendations. We consider both of the recommendations to be resolved for reporting purposes and will continue to monitor them until they have been dispositioned. The actions planned and taken should ensure that NASA as an organization and individual NASA installations effectively use Electronic Commerce in the acquisition of office supplies.

[original signed by]
Roberta L. Gross

Enclosure
Final Report on Audit of Electronic Commerce:
NASA’s Acquisition of Office Supplies
FINAL REPORT
ELECTRONIC COMMERCE:
NASA’S ACQUISITION OF OFFICE SUPPLIES
TO: H/Associate Administrator for Procurement
    Director, John F. Kennedy Space Center
    Director, George C. Marshall Space Flight Center

FROM: W/Assistant Inspector General for Auditing

SUBJECT: Final Report on the Audit of Electronic Commerce: NASA’s Acquisition
         of Office Supplies
         Assignment Number A9900500
         Report Number IG-00-008

The subject final report is provided for your use and comment. Please refer to the Results in
Brief section for the overall audit results. Our evaluation of your response is incorporated into
the body of the report. The recommendations will remain open for reporting purposes until
corrective actions are completed. Please notify us when action has been completed on the
recommendations, including the extent of testing performed to ensure corrective actions are
effective.

If you have questions concerning the report, please contact Mr. Lorne A. Dear, Program Director,
Procurement Audits, at (818) 354-3360, or Mr. Walter K. Curtis, Auditor-in-Charge, at (818)
354-9746. We appreciate the courtesies extended to the audit staff. The report distribution is in
Appendix D.

[original signed by]
Russell A. Rau

Enclosure

cc:
AO/Chief Information Officer
B/Chief Financial Officer
B/Comptroller
BF/Director, Financial Management Division
G/General Counsel
M/Associate Administrator for Space Flight
JM/Director, Management Assessment Division
bcc: IG, AIGA, Reading Chrons
HK/Director, Contract Management division
ARC/Audit Liaison Representative
DFRC/Audit Liaison Representative
GRC/Audit Liaison Representative
GSFC/Audit Liaison Representative
JPL/Audit Liaison Representative
JSC/Audit Liaison Representative
KSC/Audit Liaison Representative
LaRC/Audit Liaison Representative
MSFC/Audit Liaison Representative
SSC/Audit Liaison Representative
W/Mr. Dear
W/Mr. Curtis
W/Ms. Danne
W/Ms. Armstrong
Electronic Commerce: NASA’s Acquisition of Office Supplies

Introduction

"Electronic commerce" (EC) is the use of many core technologies—the Internet; electronic data interchange, mail, funds transfer, and catalogs; credit cards; smart cards; and other techniques—to deliver services and conduct business. (Other definitions of EC are in Appendix B.) EC is becoming the preferred way of doing business with the Government, according to the General Services Administration’s (GSA) Office of Governmentwide Policy (OGP). The development of sophisticated technology and Internet tools such as electronic catalogs and electronic funds transfer is triggering the expansion of EC throughout Government. As these tools become available, agencies are being encouraged and, in many cases, required by public law, regulations, and internal agency guidance to use electronic commerce to eliminate, reengineer, and automate business practices. Over the next several years, Federal agencies will buy and pay for most products and services electronically. The Office of Management and Budget stated that Government agencies expended about $9.4 billion in EC transactions during 1998; the OGP added that EC may be the most promising avenue for conducting Government business in the year 2000 and beyond.

Details on our audit objective, scope, and methodology are in Appendix A.

Results in Brief

Some NASA installations are not using the most cost-efficient method to acquire office supplies. While some installations are using the GSA’s EC application to obtain office supplies, others have negotiated their own contracts with vendors to obtain those supplies. As a result, NASA installations are incurring unnecessary expenses for the acquisition of office supplies.

Background

NASA is participating in a Federal Electronic Commerce Program and has taken a leadership role in EC. Through the NASA Acquisition Internet Service (NAIS), the Agency posts on the Internet all synopses and competitive solicitations valued at more than $25,000. The NAIS has received national recognition for reengineering the procurement process. NASA plans to expand the use of the NAIS to include the receipt of vendor proposals for larger procurements in the near

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1 The Small Business Act (Section 15 U.S.C. 637(e)) requires that contracting and subcontracting opportunities be advertised to the public in order to obtain maximum competition in Government acquisitions. This advertising, accomplished through the Commerce Business Daily, is called a synopsis and contains information such as name and address of the contracting office, description of supply or services, solicitation number, and opening and closing dates of the contracting opportunities.
future. Further, in August 1996, NASA Headquarters designated Marshall Space Flight Center (Marshall) as the NASA Expert Center for EC with responsibility to foster the application of EC technologies to improve the Agency’s business processes. Marshall was to identify and track agency EC activities; identify emerging EC technologies; recommend EC technology pilots and prototypes; and recommend augmenting, consolidating, or abandoning existing EC technology activities.

**GSA Supply Program.** GSA Advantage is an EC application under the Federal Supply Schedule (FSS) program in which GSA enters into contracts with commercial firms to provide supplies and services at stated prices for specified periods. According to GSA, the FSS program mirrors commercial buying practices more than any other procurement process in the Federal Government today in that customer agencies such as NASA order directly from the vendors, using an electronic catalog, and the contractor delivers directly to the customer. FSS provides customers with literally millions of state-of-the-art, high-quality commercial products and related services at volume discount pricing on a direct delivery basis. All customers, large or small, even those in remote locations, are provided with the same services, convenience, and pricing. The FSS program also offers the benefits of shorter lead times, lower administrative costs, and reduced inventories. By reducing inventories, agencies are able to minimize the amount of required storage space and limit the amount of funds invested in supplies held for future use.

GSA contracts for office supplies generally provide a “full cost” for the items ordered. The price paid by the customer (in this case, NASA) includes GSA’s cost to solicit and award the contracts to the successful bidders and GSA’s cost to administer the contracts. The successful bidders (the vendors) agree to deliver the ordered supplies to the customer within a specified period, usually 1 or 2 days, at no additional cost to the customer. Using GSA Advantage, the customer also has no need for personnel to maintain office supply catalogs and to staff warehouses. GSA Advantage may also eliminate or reduce the need for the customer’s own delivery personnel. Also, customers are able to convert office supply warehouses to better use.

**Capital Investment Council.** The NASA Capital Investment Council is responsible for addressing significant Agencywide capital investment and policy issues. The Council is the key advisory group to the Administrator in resolving issues; prioritizing activities (capital investments, functional leadership activities, and programs); and balancing resources among the Strategic Enterprises. As such, the Council resolves issues among the Enterprises, Functional Offices, and Centers, or combinations thereof, in terms of Agency investment in assets or functional capabilities. This Council also reviews Functional Office leadership strategies and reviews and recommends budget guidance initiating each annual budget cycle.

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2 The Chief Information Officer, Chief Financial Officer, and Associate Administrator for Procurement jointly issued this designation.
3 The Federal Supply Service, an entity under the GSA, supports other Federal agencies in supply and procurement, fleet management, excess property disposal, and travel and transportation services.
4 The members of the Capital Investment Council are the Associate Deputy Administrator, Chief Financial Officer, Enterprise Associate Administrators, Center Directors (two, 2-year rotating terms), the Associate Administrator for Human Resources and Education, and the Associate Administrator for Management Systems. In addition, the General Counsel serves as an ex officio advisor.
NASA Direction. NASA is implementing an Agencywide Consolidated Contracting Initiative (CCI) as described in Part 1807 of the NASA Federal Acquisition Regulation (FAR) Supplement, Subpart 1807.70. The CCI goal is to develop a core of world-class contracts that will enable NASA to acquire common goods and services quickly, at fair and reasonable prices, and at a low administrative cost. If a NASA installation is able to use a contract created by another agency under CCI, NASA will incur only minimal costs for the ongoing administration of that contract. The CCI is applicable to all contracts for goods and services in excess of $100,000. The NASA Office of Procurement expects all NASA Centers to use this initiative to meet the Agency’s needs faster, reduce the time spent on acquisition-related tasks, minimize contract duplication, save resources, and reduce close-out backlogs. The CCI is an important part of NASA’s EC program; many of the contracts (for example, contracts available through the GSA Advantage program) that are accessible through the CCI resource allow electronic ordering through the Internet. NASA prime contractors are also permitted to participate in the CCI as users, on a case-by-case basis, after receipt of written approval from a NASA contracting officer.

In October 1996, the NASA Office of Procurement issued CCI guidance stating that “Procurement Officers will: 1) satisfy their Center’s requirements through the use of existing or planned CCI contracts before initiating new awards. . . .” However, the Office of Procurement has not mandated that usage. An Office of Procurement official stated that his office is making efforts to facilitate the identification of consolidated contracts when Center procurement officials access the CCI Web page in search of certain types of goods or services. The Office of Procurement plans to expand its Web pages to identify more contracts from other Government agencies, such as GSA.

For this report, we concentrated on office supply purchases rather than other less commonly used items because all NASA installations use this commodity. Total NASA expenditures for office supplies from all sources during fiscal year 1998 exceeded $17 million.5

Acquisition of Office Supplies

Finding. NASA installations are using various methods to obtain office supplies (see the table, page 4). Installations are purchasing office supplies at higher prices than those available elsewhere in the marketplace. This condition exists because NASA has not adequately emphasized the availability of CCI contracts, such as GSA Advantage, for office supplies. As a result, installations are incurring unnecessary costs for the acquisition of office supplies and for the administration and maintenance of separate office supply catalogs and other support services.

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5 We could not precisely determine the amount because two installations do not track budgeted or expended amounts in a manner that allows identification of amounts spent on office supplies. We estimated the amounts for those two installations based on usage at other similar installations. Also, one installation could provide no actual expenditures, but only budgeted amounts.
Acquisition Methods for Office Supplies

<table>
<thead>
<tr>
<th>Installation</th>
<th>Electronic Catalog (GSA)</th>
<th>Electronic Catalog (other)</th>
<th>Manual Process¹</th>
<th>Purchase Card</th>
<th>Supply Store²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ames Research Center</td>
<td>X</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Dryden Flight Research Center</td>
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<td>--</td>
</tr>
<tr>
<td>Glenn Research Center</td>
<td>--</td>
<td>--</td>
<td>X</td>
<td>X</td>
<td>--</td>
</tr>
<tr>
<td>Goddard Space Flight Center¹</td>
<td>--</td>
<td>X</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Jet Propulsion Laboratory</td>
<td>--</td>
<td>X</td>
<td>--</td>
<td>X</td>
<td>--</td>
</tr>
<tr>
<td>Johnson Space Center</td>
<td>X</td>
<td>--</td>
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<td>--</td>
<td>--</td>
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<tr>
<td>Kennedy Space Center</td>
<td>--</td>
<td>X</td>
<td>--</td>
<td>--</td>
<td>X</td>
</tr>
<tr>
<td>Langley Research Center</td>
<td>X</td>
<td>--</td>
<td>--</td>
<td>X</td>
<td>--</td>
</tr>
<tr>
<td>Marshall Space Flight Center</td>
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<tr>
<td>Stennis Space Center</td>
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<td>--</td>
<td>X</td>
<td>--</td>
</tr>
</tbody>
</table>

¹A manual process involves ordering supplies by telephone or fax. While the telephone and fax may be included in a broad definition of electronic commerce, we did not consider them to be methods of electronic commerce for purposes of this report.

²Plans exist to phase out both stores. However, during the audit, both stores were still operating.

³NASA Headquarters also obtains its office supplies through the contracts administered by Goddard Space Flight Center.

Office Supply Prices. Prices for 27 sampled office supplies varied significantly among NASA installations. The difference between the lowest price available and the highest price for the same item varied among eight installations from 27 percent to 634 percent (see Appendix C). For example, Ames paid $2.28 for a 3-ring binder (8½ inches by 11 inches), while Kennedy paid $5.25 for the same type of binder—a 130-percent difference. While no one installation consistently paid the highest price for each of the sampled items, the highest price for these items was 77 percent more than the lowest price paid for the same items.

Support Costs to Acquire Office Supplies. Four installations (see the table, above) are using the GSA electronic catalog and incur only minimal administrative costs. An individual ordering supplies through the GSA Advantage program accesses the vendor’s electronic catalog through the Internet and thereby places the order. If the vendor provides delivery directly to the user’s

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6 For this sample, we selected the 50 office supply items for which NASA had the highest expenditures during FY 1998 at Johnson Space Center, which used the GSA catalog. We then obtained the unit prices for these items at each of the eight installations. Only 27 of the 50 items were available at all eight installations. We did not include Dryden Space Flight Center (Dryden) and Stennis Space Center (Stennis) in the sample because sufficient data for those installations were not available.

7 The installations were: Ames Research Center (Ames), Goddard Space Flight Center (Goddard), Glenn Research Center at Lewis Field (Glenn), Jet Propulsion Laboratory (JPL), Johnson Space Center (Johnson), Kennedy Space Center (Kennedy), Langley Research Center (Langley), and Marshall.

8 To arrive at 77 percent, we totaled the lowest prices and the highest prices for each of the 27 items. We then divided the difference between those totals by the total for the lowest prices paid.
desktop, the installation incurs only minimal expenses in conjunction with the order. If the vendor delivers the supplies only to a central receiving dock, the installation is then responsible for delivery to the end user and incurs additional expenses for the delivery.

Four installations (see the table, page 4) are using electronic catalogs other than the GSA catalog and are incurring a range of additional overhead expenses that would not be incurred if the GSA catalog was used. If an installation contracts with an office supply vendor, the installation must develop a request for proposal, negotiate and award a contract, and administer the contract. Also, the installation may incur expenses for warehousing, security, and delivery of the supplies. The Jet Propulsion Laboratory has about 10 employees who negotiate contracts and process orders that include office supplies, but it does not add the cost for the employees’ services to office supply orders. As another example, Goddard incurs costs for a logistics support contractor who developed and maintains a comprehensive database of all logistics supplies and activities. That database, in part, assists in the electronic placement of orders with office supply vendors. The Jet Propulsion Laboratory and Goddard do not include these expenses in the catalog price that the end user pays, but the installations incur and NASA pays these expenses.

Three installations (see the table, page 4) use a manual process to acquire office supplies either through an installation supply store or directly from the vendor. Both Marshall and Kennedy maintain a supply store to provide needed office supplies. Marshall employs about seven people to acquire office supplies and staff a supply store. Marshall does not add these costs or the costs of maintaining the supply store to the price of the office supplies that personnel acquire from that supply store. Both installations also incur a “cost of money” for their investments in their respective supply inventories that are warehoused until needed. Again, these expenses are not factored into the cost of the office supplies. Dryden does not maintain a supply store; Dryden places all orders by telephone or fax, sometimes paying by purchase cards.

At least six locations (see the table, page 4) use purchase cards. Four of the six installations use purchase cards in combination with the other methods previously described. With purchase cards, users place an order electronically, telephonically, or by visiting the office supply vendor. Users may incur a significant investment of Government time when visiting an off-site vendor or an installation’s supply store. For example, to purchase necessary supplies, an individual may spend 1 to 2 hours or more traveling to and from a vendor’s off-site location, depending on the quantity and variety of office supplies an organization needs.

**Conclusion.** Installations continue to use a variety of methods to acquire office supplies and, in some cases, are not receiving the best possible prices for those supplies. Further, installations are incurring unnecessary costs for the acquisition of those supplies. We were unable to determine the extent of the unnecessary costs because key data such as personnel costs and amounts actually expended for certain supplies were unavailable. However, those costs could be reduced or eliminated through the use of consolidated contracts such as those offered by GSA.

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9 Prior to the start of this audit, Marshall was considering closing its store or significantly changing the store’s operating practices. The Kennedy supply store is also planned for closure under the recently signed Joint Base Operating Systems Contract that governs the overall operations of the Kennedy Space Center and Cape Canaveral Air Station.
Other Issues for Consideration. Although we limited our review to office supplies, we observed that GSA maintains contracts for a variety of other items commonly used at NASA installations. Agency procurement officials may wish to consider the use of the GSA supply schedules for items such as janitorial and maintenance supplies, electrical supplies, and batteries. Individual NASA installations were pursuing contracts and electronic catalogs directly with vendors for these items. In pursuing the contracts and catalogs for these items instead of using consolidated contracts created by GSA, for example, the installations are incurring the same unnecessary costs that were incurred in the acquisition of office supplies, as discussed above.

Recommendations, Management's Response, and Evaluation of Response

1. The Associate Administrator for Procurement should evaluate NASA’s office supplies support programs and determine whether their existing processes are cost-effective and meet customer requirements. If the processes are not cost-effective or do not meet customer requirements, then NASA should implement alternative processes.

2. The Directors, Kennedy Space Center (Kennedy) and Marshall Space Flight Center (Marshall), should take appropriate action to expedite the closure of their respective Center’s supply store.

Management’s Comments. Concur. Management stated that the recommendations will be implemented. The Associate Administrator for Procurement in coordination with the Associate Administrator for Management Systems will send a letter to all NASA installations requesting that their Logistics and Procurement Offices evaluate their current processes for acquiring office supplies and determine whether the existing processes are cost-effective and meet customer requirements. Also, work is planned or already under way to close the supply stores at Kennedy and Marshall in an expeditious manner. The complete text of management’s response is in Appendix D.

Evaluation of Response. The actions planned by management are responsive to the recommendations. The recommendations are resolved but will remain undispositioned and open until agreed-to corrective actions are completed.
Appendix A. Objectives, Scope, and Methodology

Objectives

The overall objective of this audit was to evaluate the effectiveness of NASA’s use of EC in the procurement of office supplies.

Scope and Methodology

We obtained an overall understanding of the extent of NASA’s use of EC at the headquarters and Center levels, with particular emphasis on the acquisition of office supplies using electronic processes.

During the audit, we:

• reviewed the criteria addressing the use of electronic commerce and the acquisition of office supplies,

• interviewed key procurement officials at NASA Headquarters and each NASA Center, and

• selected procurement items for cost comparison.

Sampling Methodology

We used a judgmental sample to conduct our audit. We made no projections based on our findings.

To select our sample, we first prioritized all supply items at each center. We ranked items according to the total annual expenditures for FY 1998. Upon examination, we found that many items were common across the Centers.

Using the data on office supplies purchased at Johnson as our baseline, we selected the 50 items for which NASA expended the most funds in FY 1998. We attempted to obtain the unit cost each Center paid for the identical items. Of the 50 items, we were able to identify 27 identical items that had been purchased at all eight installations. A summary of those items and our findings are included in Appendix C.

Audit Field Work

We conducted audit field work from March through August 1999, at NASA Headquarters and each NASA installation. We performed the audit in accordance with generally accepted government auditing standards.
Appendix B. Definitions of Electronic Commerce

Other definitions of electronic commerce follow. These definitions illustrate the various understandings of the relatively new field of electronic commerce.

Part 2, Subpart 2.1, of the FAR states:

"Electronic commerce" means electronic techniques for accomplishing business transactions including electronic mail or messaging, World Wide Web technology, electronic bulletin boards, purchase cards, electronic funds transfer, and electronic data interchange.

“ELECTRONIC COMMERCE: Control Issues for Securing Virtual Enterprises” (by Albert J. Marcella Jr., Larry Stone, and William J. Sampias) provides several definitions of the term, including the following:

1. Electronic Commerce (EC) is a composite of technologies, processes and business strategies that foster the instant exchange of information within and between organizations. EC strengthens relationships with buyers, makes it easier to attract new customers, improves (and in some cases reinvents) customer responsiveness, and opens new markets on a global scale. (Attributed to Greg Martin, Interchange Software Group of Sterling Commerce)

2. Electronic Commerce is the exchange of goods or services for money, or the transfer or exchange of some form of financial instrument. (Attributed to Coopers & Lybrand, L.L.P., White Paper on Electronic Commerce and the Internet)

3. Electronic Commerce is the seamless exchange of business and technical data across any computer platform, using national and international standards, allowing government and industry to conduct business electronically. (Attributed to Electronic Commerce Resource Center)

4. Electronic Commerce simply put, is the automation of the business process between buyers and sellers. (Attributed to IBM)

5. Electronic Commerce is the standards-based execution and transmission of business and technical data by electronic means. The tools of electronic commerce range from e-mail and electronic data interchange to enterprise integration and outsourcing over the National Information Infrastructure (e.g., the Internet). (Attributed to Electronic Commerce Resource Center)

6. Electronic Commerce is the paperless exchange of business information using electronic data interchange, electronic mail (e-mail), computer bulletin boards, FAX, electronic funds transfer, and other similar technologies. (Attributed to Electronic Commerce Information Center, U.S. Department of Defense)
## Appendix C. Sample of 27 Office Supply Items

<table>
<thead>
<tr>
<th>Product Description</th>
<th>Pricing Unit</th>
<th>Johnson</th>
<th>Kennedy</th>
<th>Marshall</th>
<th>Goddard</th>
<th>Glenn</th>
<th>Langley</th>
<th>JPL</th>
<th>Ames</th>
<th>Lowest Price (a)</th>
<th>Highest Price (b)</th>
<th>Difference (b-a/a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Batteries, industrial AA 8/PK</td>
<td>PACK</td>
<td>$2.75</td>
<td>$4.14</td>
<td>$1.47</td>
<td>$1.79</td>
<td>$2.48</td>
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<td>$1.76</td>
<td>$1.47</td>
<td>$10.79</td>
<td>634%</td>
</tr>
<tr>
<td>Engineer, computation pad</td>
<td>PAD</td>
<td>$2.88</td>
<td>$2.70</td>
<td>$0.72</td>
<td>$4.30</td>
<td>$5.03</td>
<td>$2.20</td>
<td>$2.99</td>
<td>$2.67</td>
<td>$0.72</td>
<td>$5.03</td>
<td>599%</td>
</tr>
<tr>
<td>Batteries, industrial AAA 8/PK</td>
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<td>$2.90</td>
<td>$4.14</td>
<td>$1.47</td>
<td>$1.12</td>
<td>$2.72</td>
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<td>$1.12</td>
<td>$5.74</td>
<td>413%</td>
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<tr>
<td>Engineer, computation pad</td>
<td>EACH</td>
<td>$2.88</td>
<td>$2.70</td>
<td>$0.72</td>
<td>$3.25</td>
<td>$2.88</td>
<td>$2.20</td>
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<td>$3.25</td>
<td>351%</td>
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<tr>
<td>Binder, view 3&quot; 8.5X11</td>
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<td>$3.62</td>
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</tr>
<tr>
<td>Paper, copier 8.5X11&quot;</td>
<td>BOX</td>
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<td>$57.50</td>
<td>$21.60</td>
<td>$17.31</td>
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<td>$23.90</td>
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<td>$0.49</td>
<td>$0.48</td>
<td>$0.71</td>
<td>$0.75</td>
<td>$0.54</td>
<td>$1.45</td>
<td>$0.90</td>
<td>$0.48</td>
<td>$1.45</td>
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<tr>
<td>Binder,3/RG WE 11X8.5 1</td>
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<td>$3.00</td>
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<td>$3.00</td>
<td>$1.49</td>
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</tr>
<tr>
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<td>$24.45</td>
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<td>$25.05</td>
<td>$23.98</td>
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<td>Tape, Magic #810 3/4X1296</td>
<td>ROLL</td>
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<td>$1.56</td>
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<tr>
<td>Pencil, Mech Dual .5MM BY</td>
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</tr>
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<td>Pen, Uni-Vision Black Micro</td>
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<td>$1.07</td>
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<td>$1.15</td>
<td>$0.43</td>
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<td>$4.31</td>
<td>$5.09</td>
<td>$4.72</td>
<td>$5.84</td>
<td>$2.34</td>
<td>$5.84</td>
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<td>150%</td>
</tr>
<tr>
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<td>$2.09</td>
<td>$1.49</td>
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<td>$2.09</td>
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<td>$2.09</td>
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<td>$4.71</td>
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<td>Film,CR F/Laser Printers</td>
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<td>$16.98</td>
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<td>Pocket, Folder red letter</td>
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<td>$0.86</td>
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<td>$0.44</td>
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<tr>
<td>Binder, view 2-CAP WE</td>
<td>EACH</td>
<td>$3.25</td>
<td>$2.85</td>
<td>$2.71</td>
<td>$3.80</td>
<td>$2.79</td>
<td>$2.95</td>
<td>$3.94</td>
<td>$2.28</td>
<td>$3.94</td>
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<tr>
<td>Toner, Laserjet 5P 5MP</td>
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<tr>
<td>Folder, Hanging Letter Green</td>
<td>BOX</td>
<td>$5.34</td>
<td>$5.21</td>
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<td>$5.24</td>
<td>$7.09</td>
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<tr>
<td>Toner,HP Laser JettI/110</td>
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<td>$81.74</td>
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<tr>
<td>Toner, HP LJ 5SI/SSIMX</td>
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<td>$161.47</td>
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<td>$121.50</td>
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<tr>
<td>Toner, Microfine F/HP LJ4</td>
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<td>50%</td>
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<tr>
<td>Toner, cartridge LJ4L 4ML</td>
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<td>$64.99</td>
<td>$55.60</td>
<td>$70.70</td>
<td>27%</td>
</tr>
</tbody>
</table>

**Totals**

- Lowest Price (a) $436.79
- Highest Price (b) $774.48
- Difference (b-a/a) 77%
Appendix D. Management’s Response

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

TO: WA/Assistant Inspector General for Auditing
FROM: HC/Director, Analysis Division
SUBJECT: Draft Report on the Audit of NASA’s Use of Electronic Commerce, Assignment Number A9900500

Thank you for the opportunity to provide comments on the subject Draft Report. We are taking this opportunity to comment on the two recommendations.

We propose the following change to the first recommendation to allow the Associate Administrator for Procurement to directly implement the corrective action.

Recommendation Number 1: The Associate Deputy Administrator, as Chair of the Capital Investment Council, should:

Direct the Associate Administrator for Procurement and the heads of the Enterprises to develop a consolidated approach toward the acquisition of office supplies that reduces administrative costs and ensures fair and reasonable prices.

Although we concur with the intent of the recommendation, it is not considered appropriate for the Chair of the Capital Investment Council to be involved in this process. We suggest that the recommendation be reworded as follows:

Proposed Rewording of Recommendation Number 1: “The Associate Administrator for Procurement should evaluate NASA’s office supplies support programs and determine whether existing processes are cost-effective and meet customer requirements. If the processes are not cost-effective or do not meet customer requirements, then NASA should implement alternative processes.”

Response to Proposed Rewording of Recommendation Number 1: CONCUR. The Associate Administrator for Procurement (Code H) in coordination with the Associate Administrator for Management Systems (Code J) will send a letter to all NASA installations requesting that their Logistics and Procurement Offices evaluate their current processes for acquiring office supplies. The letter will ask that they determine whether or not their existing processes are cost effective and meet customer requirements. If an installation determines that their current process is not cost effective or that it does not meet customer requirements, the letter will ask that they detail an alternate process and provide milestones for transitioning to it.

Recommendation Number 2: “The Directors, Kennedy Space Center and Marshall Space Flight Center, should take appropriate action to expedite the closure of their respective Center’s supply store.”
Response: CONCUR. Code H discussed this recommendation with both Centers and received written affirmation (enclosed) that work is planned or already underway to close both supply stores in an orderly and expeditious manner.

The Action Officer for Recommendation Number 1 is Code HC/Ron Crider, X0428. We expect to complete our corrective action plan by June 30, 2000. It will include a summary of the actions taken by the Center Directors in response to Recommendation Number 2.

Anne Guenther

Enclosure

cc: J/Sutton
RECOMMENDATION 2

The Directors, Kennedy Space Center and Marshall Space Flight Center, should take appropriate action to expedite the closure of their respective Center’s supply store.

KSC RESPONSE

Concur. With regard to KSC’s supply stores, KSC utilizes the services of SGS, its Joint Base Operations and Support Contractor (J-BOSC), to provide office supplies. SGS has proactively closed administrative supply stores and contracted with a small disadvantaged business (June 1999) to provide GSA Authorized Federal Supply Schedule products.

One Supply Store, dedicated primarily to office supplies, has been closed. Two other Logistics Service Centers (LSC) remain open as they provide other services. For example, the LSC in the Headquarters Building manages the materials and bench stock for the Printing and Reproduction Departments.

Office supplies are no longer purchased for distribution through the stores. Once existing inventories are depleted, these LSCs will no longer contain office supplies. We expect existing inventories to be depleted by Dec 24, 1999.

From the KSC perspective, based on corrective action taken and planned we request closure of this recommendation upon issuance of the final report.

MSFC RESPONSE

Concur. MSFC has already initiated steps to expedite the closure of the office supply storage and issue facility, commonly known as the Building 4200 Supply Annex. This will permit us to take advantage of the cost savings and gained efficiencies in the use of electronic catalogs and “Just-In-Time” (JIT) procurement for our office supplies.

We are planning the deployment of a web-based system, which allows JIT desktop ordering and purchasing from a pre-approved catalog using a Government credit card or a pre-established account. Consolidated contracts established by agencies such as GSA will be utilized whenever they represent the best value. The new process will be implemented by organizations and will commence within the Center Operations Directorate in the 2nd quarter of FY 2000. Complete phase-in of the remaining organizations is planned over the remaining quarters of FY 2000. During this time, office supplies will gradually be reduced from the MSFC inventory, resulting in the closure of the Building 4200 Supply Annex by the end of FY 2000.

Enclosure
Appendix E. Report Distribution

National Aeronautics and Space Administration (NASA) Headquarters

A/Administrator
AI/Associate Deputy Administrator
AO/Chief Information Officer
B/Chief Financial Officer
B/Comptroller
BF/Director, Financial Management Division
C/Associate Administrator for Headquarters Operations
G/General Counsel
H/Associate Administrator for Procurement
J/Associate Administrator for Management Systems
JM/Director, Management Assessment Division
L/Associate Administrator for Legislative Affairs
R/Associate Administrator for Aero-Space Technology
S/Associate Administrator for Space Science
U/Associate Administrator for Life and Microgravity Sciences and Applications
Y/Associate Administrator for Earth Science
Z/Associate Administrator for Policy and Plans

NASA Centers

Director, Ames Research Center
Director, Dryden Flight Research Center
Director, Glenn Research Center at Lewis Field
Director, Goddard Space Flight Center
Director, Lyndon B. Johnson Space Center
Director, NASA Management Office, Jet Propulsion Laboratory
Director, John F. Kennedy Space Center
Director, Langley Research Center
Director, George C. Marshall Space Flight Center
Director, Stennis Space Center
Chief Counsel, John F. Kennedy Space Center
Appendix E

Non-NASA Federal Organizations and Individuals

Assistant to the President for Science and Technology Policy
Deputy Associate Director, Energy and Science Division, Office of Management and Budget
Branch Chief, Science and Space Programs Branch, Energy and Science Division, Office of Management and Budget
Associate Director, National Security and International Affairs Division, Defense Acquisition Issues, General Accounting Office
Professional Assistant, Senate Subcommittee on Science, Technology, and Space

Chairman and Ranking Minority Member - Congressional Committees and Subcommittees

Senate Committee on Appropriations
Senate Subcommittee on VA, HUD, and Independent Agencies
Senate Committee on Commerce, Science, and Transportation
Senate Subcommittee on Science, Technology, and Space
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on VA, HUD, and Independent Agencies
House Committee on Government Reform and Oversight
House Subcommittee on Government Management, Information, and Technology
House Subcommittee on National Security, Veterans Affairs, and International Relations
House Committee on Science
House Subcommittee on Space and Aeronautics

Congressional Member

Honorable Pete Sessions, U.S. House of Representatives
The NASA Office of Inspector General has a continuing interest in improving the usefulness of our reports. We wish to make our reports responsive to our customers’ interests, consistent with our statutory responsibility. Could you help us by completing our reader survey? For your convenience, the questionnaire can be completed electronically through our homepage at [http://www.hq.nasa.gov/office/oig/hq/audits.html](http://www.hq.nasa.gov/office/oig/hq/audits.html) or can be mailed to the Assistant Inspector General for Auditing; NASA Headquarters, Code W, Washington, DC 20546-0001.

**Report Title:** Electronic Commerce: NASA’s Acquisition of Office Supplies

Circle the appropriate rating for the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>N/A</th>
</tr>
</thead>
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<tr>
<td>1. The report was clear, readable, and logically organized.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>N/A</td>
</tr>
<tr>
<td>2. The report was concise and to the point.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>N/A</td>
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<tr>
<td>3. We effectively communicated the audit objectives, scope, and methodology.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>N/A</td>
</tr>
<tr>
<td>4. The report contained sufficient information to support the finding(s) in a balanced and objective manner.</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Overall, how would you rate the report?

- Excellent
- Fair
- Very Good
- Poor
- Good

If you have any additional comments or wish to elaborate on any of the above responses, please write them here. Use additional paper if necessary.

How did you use the report?
How could we improve our report?

How would you identify yourself? (Select one)
- Congressional Staff
- NASA Employee
- Private Citizen
- Other: _______________________
- Government: _____ Federal: _____ State: _____ Local: _____

May we contact you about your comments?
Yes: _____ No: _____
Name: _______________________
Telephone: ___________________

Thank you for your cooperation in completing this survey.
Major Contributors to this Report

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Walter K. Curtis, Auditor-in-Charge

Teresa J. Danne, Auditor

Bonnie J. Armstrong, Auditor

Christina D. Head, Program Assistant

Betty J. Weber, Operations Research Manager

Nancy C. Cipolla, Report Process Manager