

# AUDIT REPORT

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## CONTRACT DATA REPORTS

September 16, 2003

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**Report Recipients:**

AE/Chief Engineer  
AS/Chief Scientist  
B/Deputy Chief  
Financial Officer for  
Financial Management  
H/Assistant Administrator  
for Procurement

**cc:**

B/Deputy Chief Financial  
Officer for Resources  
(Comptroller)  
BF/Director,  
Financial Management  
Division  
G/General Counsel  
JM/Director,  
Management  
Assessment Division  
H/Audit Liaison  
Representative  
ARC/200-9/Audit  
Liaison Representative  
GRC/3-12/Audit  
Liaison Representative  
GSFC/201/Audit  
Liaison Representative  
JSC/BD5/Audit Liaison  
Representative  
MSFC/RS40/Audit  
Liaison Representative



National Aeronautics and  
Space Administration

## OFFICE OF INSPECTOR GENERAL

Released by: Original Signed By

David M. Cushing, Assistant Inspector General for Auditing

## Contract Data Reports

Contract data reports, described in the Data Requirements List of a contract, include information needed by NASA to effectively administer contracts. The audit focused on whether NASA programs effectively managed these reports obtained under NASA contracts. We reviewed the process for requiring, obtaining, and safeguarding data reports on NASA contracts and management's use of electronic commerce in submitting or receiving the reports. (Details on our audit objectives, scope, and methodology are in Appendix C.) The President's Management Agenda lists electronic commerce as one of five critical management initiatives for Federal agencies. The Office of Federal Procurement Policy and the Federal Acquisition Regulation require agencies to use electronic commerce for acquisitions whenever practicable or cost-effective. Additionally, the Government Paperwork Elimination Act requires Federal agencies to provide for the option of electronically submitted information as a substitute for paper by October 21, 2003.

We found that generally, NASA programs effectively managed contract data reports. For example, NASA personnel ensured that contract-required data reports were necessary for administering the contract and that contractor proprietary data was adequately protected from improper use, duplication, or disclosure.

However, we also found that NASA can more effectively promote the use of electronic commerce as the preferred method for submitting contract data reports. We found that NASA contracts did not request electronic copies of data reports but instead required contractors to submit hard copies. Additionally, NASA Headquarters and five Centers had not established effective electronic commerce policies for contract data reports. We recognize that there are some costs associated with sending electronic copies but contractors charge extra to send hard copy reports. (See Appendix F for a range of contractor costs.) We believe the Agency could have saved thousands of dollars by requesting contractors to submit electronic copies of contract data reports instead of hard copies.

**NASA Contracts Required Hard Copies.** Center contracting and technical personnel at the 6 Centers we reviewed stated that electronic data reports would have been acceptable for the 48 contracts that we reviewed -- but 37 (77 percent) of the 48 contracts required hard copy reports (see Appendix E). We projected that there was a total of 457,771 hard copy pages of contract data reports for the audit universe that required contractor labor to print, assemble, package, and mail in addition to providing paper and copying supplies, binding materials, postage and often personal delivery. Only Marshall Space Flight Center (Marshall) had established a formal policy that electronic commerce is preferred for submitting contract data reports. However, Marshall management had not effectively

communicated that policy to Center personnel administering contracts. None of the six Centers reviewed had implemented electronic commerce as a standard practice for contract data reports.

The 48 contracts were at Ames Research Center (Ames), John H. Glenn Research Center (Glenn), Goddard Space Flight Center (Goddard), NASA Headquarters, Lyndon B. Johnson Space Center (Johnson), and Marshall. To assess the latest procurement practices, we initially selected 16 Goddard and Marshall contracts. We subsequently expanded the review by statistically selecting a total of 32 contracts from Ames, Glenn, NASA Headquarters, and Johnson from a universe of 961 contracts (Appendix C describes the audit sample).

**NASA Requires Hard Copy Contract Data Reports for the Data Storage Facility.** In response to the Center for Aerospace Information (CASI) process requirements, NASA contractually requires all research and development contractors to submit two hard copies of final contract data reports. CASI is a NASA-funded data storage facility. CASI personnel disassemble one hard copy to scan into a record management system and retain the second hard copy in the event the disassembled copy is damaged during scanning. In 2001, CASI received 2,943 hard copies (90 percent) of final contract data reports from contractors; the remaining final reports (10 percent) were electronic copies. Submitted hard copy reports had an average of 65 pages with 382,590 total pages. CASI can process either hard or electronic copies of final contract data reports and makes both types of reports available to the public on the World Wide Web.

### **Recommendations for Corrective Action**

We recommend that the Assistant Administrator for Procurement:

1. Issue guidance to the NASA contracting community (e.g., contracting officers, contracting officer's technical representatives, task monitors, resource analysts) in the form of a Procurement Information Circular (PIC), or other suitable vehicle, to clearly state that the use of electronic commerce is NASA's preferred method for the submission of contract data requirements whenever feasible.
2. Establish an implementation plan that requires Center procurement offices, in conjunction with the cognizant technical personnel, to reassess the contract data requirements for all active contracts with a performance period extending beyond October 21, 2003, to identify opportunities to increase the use of electronic commerce for the submission of such deliverables. The implementation plan should identify impediments to the use of electronic commerce and include planned actions to remove the impediments by October 21, 2003, as required by the Government Paperwork Elimination Act of 1998.

## **Management's Response and our Evaluation of the Response**

The Agency concurred with the recommendations (see Appendix I). NASA's Office of Procurement will advise the Chief Scientist, Chief Engineer, and Chief Financial Officer to expand their use of electronic commerce as the preferred method for submitting contract data reports and suggest they issue electronic commerce policies for these reports. The Office of Procurement also agreed to work with the Chief Scientist, Chief Engineer, and Chief Financial Officer to suggest they establish an implementation plan that will reassess contract data requirements on all active contracts. In subsequent discussions with the Agency, the Office of Procurement agreed to complete corrective action by January 16, 2004. We consider the recommendations resolved, but they will remain undispositioned and open until the Agency completes the agreed-to corrective action. We address the Agency's general comments in Appendix J.

## **Appendixes**

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### **Acronyms Used in the Report**

|      |                                      |
|------|--------------------------------------|
| CASI | Center for Aerospace Information     |
| FAR  | Federal Acquisition Regulation       |
| OFPP | Office of Federal Procurement Policy |

## Appendix A. Status of Recommendations

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| Recommendation No. | Resolved | Unresolved | Open/ECD* | Closed |
|--------------------|----------|------------|-----------|--------|
| 1.                 | X        |            | 1/16/04   |        |
| 2.                 | X        |            | 1/16/04   |        |

\*ECD – Estimated completion date

## Appendix B. Background

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**Authority.** The NASA Federal Acquisition Regulation (FAR) Supplement, Part 1827.406-70, "Reports of Work," allows NASA contracting officers to require reports of work, such as monthly progress reports, in the contract.

**Contract Data Reports.** The Data Requirements List of the contract describes specific data reports the contractor must provide, gives the Government's delivery instructions, and identifies the number of report copies the contractor must provide and the persons who must receive copies. Specific data reports include progress, technical, and financial management reports. Data report delivery requirements depend on the need for the information. Generally, data reports are required monthly, quarterly, or annually. Data reports are submitted in hard copy, electronic forms, and other media. Persons receiving data reports typically include the contracting officer, the contracting officer's technical representative, and NASA personnel involved in contract oversight or administration. Contract data reports vary in length and may exceed several hundred pages.

**Electronic Commerce.** FAR, Subpart 2.101 defines electronic commerce as techniques an agency uses to accomplish its business transactions such as electronic mail (e-mail) and World Wide Web technology. Since 1994, laws, regulations, and executive orders have aimed to move Federal agencies from conducting business with paper, or hard copies, to using electronic commerce. Electronic documents cost less to store, maintain, and disseminate than hard copy documents. For example, for a hard copy contract data report, contractors incur additional costs for labor and overhead (printing, assembling, and packaging); paper and copying supplies; binding materials; and postage.

**The Center for Aerospace Information.** NASA operates the Center for Aerospace Information (CASI) under a cost-plus-award fee contract. CASI personnel make NASA contract final reports available to the public on the World Wide Web (<http://www.sti.nasa.gov>).

## Appendix C. Objectives, Scope, and Methodology

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### Objectives

The overall objective was to determine whether NASA programs effectively managed data reports obtained under NASA contracts. Specifically, the audit determined whether management:

- ensured that data reports required under NASA contracts were necessary for administering the contract;
- protected contractor proprietary data reports from improper use, duplication, and disclosure; and
- used electronic commerce for the submission and receipt of contract data reports.

### Scope and Methodology

**Audit Sampling.** We reviewed a total of 48 contracts of which 16 contracts were judgmentally selected and 32 were statistically selected. Our initial audit results based on review of the 16 judgmentally selected contracts indicated that contract data reports were necessary for administering the contracts and that NASA personnel protected the data reports from improper use or disclosure. Our results also indicated that there was room for improvement in the submission process for contract data reports, so we expanded our review to an additional 32 statistically selected contracts. Details on our sampling methodology follow.

**Initial Audit Sample.** We selected the 16 contracts for initial testing from a universe of 559 research and development, service, and supply contracts totaling \$24.8 billion for 10 NASA locations. The sampling universe included contracts valued at more than \$1 million that were active during fiscal year 2001. We excluded all contracts with a completion date before September 28, 2001, because we believed they would be closed. The 16 contracts were from Goddard Space Flight Center (Goddard) and Marshall Space Flight Center (Marshall), had the most recent award dates in fiscal year 2001, and totaled \$124.3 million.

For each of the 16 contracts, we selected data reports from the contract Data Requirements List. When possible, we selected recurring data reports, such as contract progress and performance and financial management reports. We reviewed contract documentation, Center contract data policies and procedures, contract data reports, the use of data reports in administering the contract, current data report recipients, and procedures to protect contractor proprietary data. We interviewed contracting officers, contracting officer's technical representatives, other persons listed as data report recipients in the contract, and contractors.

## Appendix C

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We modified the audit universe (see next section) and used the 247,771 projected number of hard copy pages to calculate a rate of .06 hard copy pages per \$1,000 of contract value. We applied the .06 rate to the value of the Goddard and Marshall contracts and estimated 210,000 hard copy pages for the contracts.

**Modified Audit Sample.** We modified the initial audit universe by expanding our testing to other NASA Centers. The modified audit universe eliminated contracts in the initial audit universe, supply and construction contracts, and the contract at the Jet Propulsion Laboratory. The modified audit universe consisted of 961 research and development and service contracts with a total value of \$4.2 billion. The 961 contracts included individual contracts valued from \$2,000 to \$600 million and award dates from November 1, 1998, through September 30, 2001. We selected these dates because the Government Paperwork Elimination Act requires Federal agencies to provide for the option of electronic submission of information as a substitute for paper by October 21, 2003. Therefore, contracts awarded as of September 30, 2001, would have received contract data reports by the time of our review.

To evaluate the universe of 961 contracts, we statistically selected a sample of 32 contracts at Ames Research Center (Ames), Glenn Research Center (Glenn), Headquarters, and Johnson Space Center (Johnson). The 32 statistically selected contracts had a total value of \$1.59 billion. When possible, we selected recurring data reports, such as contract progress and performance and financial management reports for testing. We reviewed contract documentation, Center contract data policies and procedures, and contract data reports. We interviewed the contracting officers, contracting officer's technical representatives, and other persons listed in the contract as data report recipients.

To determine the average number of pages for the data reports being reviewed, we either (1) calculated the average number of pages for a 3- to 6-month period or (2) obtained an estimate from a data report recipient. We determined the number of report pages per year by multiplying the data report count by 12 (for monthly reports) or by 4 (for quarterly reports). We reviewed 101 of 431 data reports required under the 32 sampled contracts and estimated an annual total of 56,368 hard copy pages for the contracts. We projected that number of hard copy pages to the audit universe of 961 contracts and calculated a total of 247,771 hard copy pages. (The 247,771 hard copy pages were less than the number one might expect from statistical sampling because we used probability and dollar unit sampling techniques. The techniques provided different projections for each of the sampled Centers instead of a single projection from the sample to the universe.) We obtained hard copy costs from 10 contractors in our sample and developed a range of hard copy costs (\$.21, \$1.10, and \$6.79) per page because contractor estimates varied widely.

**Hard Copy Pages in Sample.**

|  |                |
|--|----------------|
| Hard copy pages from initial audit sample  | 210,000        |
| Hard copy pages from modified audit sample | <u>247,771</u> |
| Total hard copy pages from sample          | <u>457,771</u> |

***Final Contract Data Reports CASI Received.*** We observed the procedures the Center for Aerospace Information (CASI) followed to receive, scan, and process final contract data reports for NASA contracts. We discussed procedures, requirements, and the use of electronic commerce with CASI officials, the NASA performance monitor, and the contracting officer's technical representatives. NASA and CASI personnel provided us data on final contract data reports for contract year 2001. Contractors had submitted a total of 3,270 final data reports of which 2,943 reports were in hard copy form with an average of 65 pages. We calculated 382,590 total hard copy pages for the 2,943 reports by applying 65 pages per report and 2 copies for each report (as discussed previously, NASA required 2 copies of the final report).

**Management Controls Reviewed**

We used the General Accounting Office (GAO) “Standards for Internal Control in the Federal Government,” dated November 1999, to review controls applicable to our audit objectives. Four GAO standards applied to our audit: (1) restrict access to and account for resources and records, (2) document transactions and internal controls, (3) maintain physical control over vulnerable assets, and (4) ensure timely information is available and communicated. To test controls, we obtained a description of control techniques for the protection of proprietary data from contracting officers and contracting officer’s technical representatives, assessed the adequacy of management's controls against the GAO standards, observed compliance with the controls, and reviewed the timeliness of hard and electronic copies of contract data reports. NASA policy contains requirements for the protection of contractor proprietary data, but some Centers have not issued formal policy or procedures. Our testing at Goddard and Marshall did not identify any weaknesses in the protection of proprietary data. NASA personnel at the two Centers were aware of the need to protect contractor proprietary data.

**Computer-Generated Data**

We used computer-generated data to establish the number of final contract data reports received by CASI from December 2000 to November 2001 and the number of pages in the reports. We relied on the computer-generated data to determine the average number of pages. We used that number in our calculation of potential NASA savings and did not verify the number with additional testing.

## **Appendix C**

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### **Audit Field Work**

We performed the audit from October 2001 through December 2002. We performed audit field work at Ames, Glenn, Goddard, NASA Headquarters, Johnson, and Marshall. We conducted the audit in accordance with generally accepted government auditing standards.

### **Prior Audit Coverage**

GAO report, "Information Management: Electronic Dissemination of Government Publications," dated March 2001, reported that the Federal Depository Library Program could reduce distribution costs and make information more usable and accessible through electronic dissemination of Government reports.

## **Appendix D. Electronic Commerce Laws, Regulations, and Policy**

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**Federal Acquisition Streamlining Act (FASA) of 1994.** FASA, effective October 13, 1994, aimed to overhaul the Federal procurement system by eliminating costly paperwork for small-dollar value purchases. FASA provisions established the Government-wide electronic commerce system that was readily accessible to the public. The objective of the electronic commerce system, the Federal Acquisition Computer Network, was to convert the existing acquisition process that was dependent on paperwork to an expedited process that relied on electronic commerce.

**The Paperwork Reduction Act of 1995.** The Act's objectives were to (1) make Federal agencies more responsible by holding them publicly accountable for reducing paperwork imposed on the public; (2) minimize paperwork for Federal contractors; and (3) minimize the cost to the Government for the creation, collection, maintenance, use, dissemination, and disposal of information.

**Federal Acquisition Regulation (FAR), Subpart 4.8, “Government Contract Files.”** FAR Subpart 4.8 prescribes requirements for establishing, maintaining, and disposing of contract files. The subpart states that agencies may retain contract files in any medium (paper, electronic, microfilm, etc.) or any combination of media, as long as the retained contract files meet the stated requirements. Since at least October 1, 1995, agencies could choose how to maintain the files.

**Office of Federal Procurement Policy (OFPP), Section 30, “Use of Electronic Commerce in Federal Procurement.”** This amendment to Section 30 became effective November 18, 1997. It states that “the head of each executive agency shall establish, maintain, and use, to the maximum practicable and cost-effective extent, procedures and processes that employ electronic commerce in the conduct and administration of its procurement system.” OFPP Section 30 is in Public Law 105-85 and USC, Title 41, Section 426.

**Government Paperwork Elimination Act (GPEA) of 1998, Section 1704, “Deadline for Implementation by Executive Agencies of Procedures for Use and Acceptance of Electronic Signatures.”** The GPEA states that Federal agencies must comply with requirements “not later than five years after the date of enactment of this Act (1998),” making the deadline October 21, 2003. The GPEA further states that when electronic commerce processes are more efficient than hard copy processes, executive agencies must provide for (1) the option of the electronic maintenance, submission, or disclosure of information as a substitute for paper and (2) the use and acceptance of electronic signatures.

## Appendix D

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**FAR, Subpart 4.5, “Electronic Commerce in Contracting.”** Subpart 4.5 provides policy and procedures for establishing and using electronic commerce in Federal acquisitions as required by OFPP Section 30. The effective date was October 30, 1998. The policy states, “the Federal Government shall use electronic commerce when electronic processes are more efficient than hard copy processes. Contracting officers may supplement electronic transactions by using other media to meet the requirements of any contract action governed by the FAR.” The FAR states contractors may transmit hard copies of construction drawings as an example of other media that would be acceptable.

**FAR, Subpart 2.101, “Definitions.”** The subpart defines electronic commerce as electronic techniques for accomplishing business transactions. Electronic commerce includes electronic mail (e-mail), Internet-based technology, electronic bulletin boards, purchase cards, electronic funds transfer, and electronic data interchange. The FAR defined electronic commerce in October 1998.

**E-Government Act of 2001, Public Law S.803.** The public law strives to enhance the management and promotion of electronic Government services and processes by establishing a Federal Chief Information Officer within the Office of Management and Budget. The public law also establishes a broad framework of measures that require using Internet-based information technology to enhance citizen access to Government information and services.

**The President’s Management Agenda (Agenda), Fiscal Year 2002.** As stated in the Agenda, “Agencies will undertake a federal public key infrastructure to promote digital signatures for transactions within the federal government, between government and businesses, and between government and citizens.”

## **Appendix E. Locations of Contracts Requiring Hard Copy Reports**

The following table summarizes the locations of the 48 contracts we reviewed and the 37 contracts that required hard copy reports.

|                              | <b>Contracts Reviewed</b> | <b>Contracts Requiring<br/>Hard Copy Data Reports</b> |
|------------------------------|---------------------------|---|
| Ames Research Center         | 8                         | 7   |
| Glenn Research Center        | 8                         | 4   |
| Goddard Space Flight Center  | 11                        | 11  |
| NASA Headquarters            | 8                         | 7   |
| Johnson Space Center         | 8                         | 4   |
| Marshall Space Flight Center | 5                         | 4   |
| <b>Total</b>                 | <b><u>48</u></b>          | <b><u>37</u></b>                                      |

## Appendix F. Contractor Costs Per Hard Copy Page

The following table shows our calculation of the cost per hard copy page for contract data reports. We based our calculation on cost estimates provided by 10 contractors. We did not include the complete contract number because of the related proprietary cost information that is shown. The contract number indicates the Center that awarded the contract (NAS2 applies to Ames Research Center; NAS3 applies to Glenn Research Center; NAS5 applies to Goddard Space Flight Center; and NAS9 applies to Johnson Space Center). We calculated the cost per page by dividing the hard copy cost by the number of hard copy pages. We dropped the lowest and highest contractor estimates (\$.06 and \$9.76) and calculated an average cost of \$1.10 using the remaining eight contractor estimates.

|    | <b>Contract Number</b>                           | <b>Data Reports Required by Contract</b> | <b>Data Reports with Contractor-Provided Cost Estimates</b> | <b>Hard Copy Cost (\$)</b> | <b>Total Hard Copy Pages</b> | <b>Cost per Page</b> | <b>Action Taken</b>  |
|----|--|--|---|----------------------------|------------------------------|----------------------|----------------------|
| 1  | NAS5-xxxxx                                       | 9  | 4   | \$4,344                    | 67,204                       | \$.06                | Dropped Lowest Cost  |
| 2  | NAS5-xxxxx                                       | 8  | 1   | 5,000                      | 24,000                       | .21                  |                      |
| 3  | NAS2-xxxxx                                       | 15                                       | 4   | 1,200                      | 3,714                        | .32                  |                      |
| 4  | NAS5-xxxxx                                       | 8  | 3   | 36,000                     | 40,000                       | .90                  |                      |
| 5  | NAS2-xxxxx                                       | 6  | 4   | 466                        | 203                          | 2.30                 |                      |
| 6  | NAS5-xxxxx                                       | 9  | 5   | 26,161                     | 8,928                        | 2.93                 |                      |
| 7  | NAS9-xxxxx                                       | 20                                       | 5   | 1,759                      | 578                          | 3.04                 |                      |
| 8  | NAS3-xxxxx                                       | 61                                       | 1   | 14,742                     | 2,700                        | 5.46                 |                      |
| 9  | NAS3-xxxxx                                       | 2  | 1   | 3,180                      | 468                          | 6.79                 |                      |
| 10 | NAS5-xxxxx                                       | 7  | 2   | 586                        | 60                           | 9.76                 | Dropped Highest Cost |
|    | Total of 10 Estimates                            |  |   | \$93,438                   | 147,855                      | 31.77                |                      |
|    |  |  |   |                            |                              |                      |                      |
|    | <b>Total</b> (Excludes dropped costs)            |  |   | \$88,508                   | 80,591                       |                      |                      |
|    | <b>Average Cost</b> (\$88,508 divided by 80,591) |  |   |                            |                              | <b>\$1.10</b>        |                      |

## Appendix G. Contracts in the Initial Audit Sample

The following table shows contracts at Goddard Space Flight Center (Goddard) and Marshall Space Flight Center (Marshall) that we selected for the initial audit sample. We obtained cost information from some contractors. We did not include the complete contract number for all contracts in the table because the contract number could relate to proprietary information shown in other sections of the report.

| Contract Number | Type of Contract               | Data Reports We Reviewed | Data Reports Required by Contract | Hard Copy Pages             |
|-----------------|--------------------------------|--------------------------|-----------------------------------|-----------------------------|
| <b>Goddard</b>  |                                |                          |                                   |                             |
| NAS5-01095      | Research and Development (R&D) | 3                        | 17                                | Electronic Copy             |
| NAS5-xxxxx      | Service                        | 6                        | 9                                 | 8,928                       |
| NAS5-01106      | Service                        | 2                        | 7                                 | Not requested               |
| NAS5-xxxxx      | Service                        | 4                        | 9                                 | 67,204                      |
| NAS5-xxxxx      | Service                        | 2                        | 11                                | 20                          |
| NAS5-xxxxx      | R&D                            | 2                        | 7                                 | 60                          |
| NAS5-xxxxx      | R&D                            | 2                        | 8                                 | 40,000                      |
| NAS5-xxxxx      | R&D                            | 2                        | 8                                 | 24,000                      |
| NAS5-xxxxx      | R&D                            | 2                        | 8                                 | Contractor did not provide. |
| NAS5-01127      | R&D                            | 3                        | 10                                | Not requested               |
| NAS5-00188      | Service                        | 4                        | 5                                 | Electronic Copy             |
| <b>Marshall</b> |                                |                          |                                   |                             |
| NAS8-00017      | R&D                            | 5                        | 30                                | 334                         |
| NAS8-00208      | Service (Construction)         | 3                        | 325                               | 455                         |
| NAS8-01094      | R&D                            | 1                        | 16                                | 504                         |
| NAS8-00144      | Service                        | 3                        | 8                                 | 9                           |
| NAS8-97310      | R&D                            | 1                        | 5                                 | Electronic Copy             |
| <b>Totals:</b>  |                                | <b><u>45</u></b>         | <b><u>483</u></b>                 | <b><u>141,514</u></b>       |

## Appendix H. Statistically Selected Contracts

The following table shows the 32 statistically selected contracts at Ames Research Center (Ames), Glenn Research Center (Glenn), NASA Headquarters, and Johnson Space Center (Johnson). The total 56,368 hard copy pages relate to our review of 101 of 431 data reports required on the 32 sampled contracts. We did not include the complete contract number for all contracts in the table because the contract number could relate to proprietary information shown in other sections of the report.

| Contract Number     | Type of Contract               | Data Reports We Reviewed | Data Reports Required by Contract | Hard Copy Pages for 1 Year |
|---------------------|--------------------------------|--------------------------|-----------------------------------|----------------------------|
| <b>Ames</b>         |                                |                          |                                   |                            |
| NAS2-xxxxx          | Research and Development (R&D) | 4                        | 6                                 | 520                        |
| NAS2-98083          | Service                        | 8                        | 14                                | 975                        |
| NAS2-00015          | R&D                            | 8                        | 18                                | 0                          |
| NAS2-00055          | Service                        | 5                        | 18                                | 1,788                      |
| NAS2-00065          | Service                        | 3                        | 11                                | 1,100                      |
| NAS2-01064          | R&D                            | 4                        | 10                                | 798                        |
| NAS2-99078          | Service                        | 0                        | 0                                 | 0                          |
| NAS2-xxxxx          | Service                        | 7                        | 15                                | 4,556                      |
| <b>Glenn</b>        |                                |                          |                                   |                            |
| NAS3-00145          | R&D                            | 2                        | 2                                 | 1,344                      |
| NAS3-99155          | R&D                            | 2                        | 61                                | 2,880                      |
| NAS3-00139          | R&D                            | 2                        | 2                                 | 396                        |
| NAS3-xxxxx          | Service                        | 2                        | 2                                 | 468                        |
| NAS3-01136          | R&D                            | 2                        | 9                                 | 864                        |
| NAS3-99120          | R&D                            | 1                        | 1                                 | 60                         |
| NAS3-xxxxx          | R&D                            | 2                        | 61                                | 2,700                      |
| NAS3-99169          | R&D                            | 2                        | 3                                 | 24                         |
| <b>Headquarters</b> |                                |                          |                                   |                            |
| NASW-00017          | Service                        | 3                        | 5                                 | 7,200                      |
| NASW-99027          | Service                        | 6                        | 9                                 | 5,856                      |
| NASW-00003          | R&D                            | 4                        | 16                                | 2                          |
| NASW-01001          | Service                        | 4                        | 6                                 | 652                        |
| NASW-01003          | Service                        | 3                        | 8                                 | 3,360                      |
| NASW-99001          | Service                        | 0                        | 0                                 | 0                          |
| NASW-99005          | Service                        | 1                        | 1                                 | 0                          |
| NASW-99037          | Service                        | 1                        | 1                                 | 2080                       |
| <b>Johnson</b>      |                                |                          |                                   |                            |
| NAS9-99072          | Service                        | 3                        | 21                                | 14,172                     |
| NAS9-xxxxx          | Service                        | 6                        | 20                                | 726                        |
| NAS9-00080          | Service                        | 3                        | 14                                | 1,688                      |
| NAS9-00091          | Service                        | 1                        | 1                                 | 0                          |
| NAS9-01008          | Service                        | 5                        | 48                                | 1,440                      |
| NAS9-98123          | Service                        | 2                        | 31                                | 96                         |
| NAS9-99058          | R&D                            | 4                        | 16                                | 23                         |
| NAS9-99075          | R&D                            | 1                        | 1                                 | 600                        |
| <b>Total</b>        |                                | <b><u>101</u></b>        | <b><u>431</u></b>                 | <b><u>56,368</u></b>       |

## Appendix I. Management's Response

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May 21, 2003

HK

TO: W/Assistant Inspector General for Audits  
FROM: HK/Director, Contract Management Division  
SUBJECT: Agency Response to OIG Draft Report on Contract Data Reports,  
Assignment Number A-02-004-00

Enclosed is our response to the subject draft report dated April 28, 2003.

Please call Lou Becker at (202) 358-4593 if you have any questions or need further coordination on this matter.

R. Scott Thompson

Enclosure

## Appendix I

**General Comments:** On August 2, 2002, the Office of Procurement provided a response to the Discussion Draft Report on Contract Data Requirements dated July 17, 2002. That response addressed two major concerns.

The first concern was that the two recommendations required the Associate Administrator for Procurement to issue policy *requiring* all future NASA solicitations to include the use of electronic commerce as the preferred method for the submission of contract data reports, and to develop an implementation plan that *ensures* center procurement offices will effectively use electronic commerce for data reports on all active NASA contracts. We were pleased to note that the draft report now recommends the issuance of guidance stating that the use of electronic commerce is NASA's preferred method for the submission of contract data requirements *whenever feasible*, and the establishment of an implementation plan that requires the *reassessment* of the contract data requirements for all active contracts with a performance period extending beyond October 21, 2003, to identify opportunities to increase the use of electronic commerce for the submission of such deliverables. As noted below, while we concur with the intent of the recommendations, the Assistant Administrator for Procurement is not the appropriate official to perform the recommended corrective actions. The science and engineering offices, and the Chief Financial Officer (CFO) control the requirements for these reports. Procurement does not mandate the technical requirements that our customers must include in their statements of work.

The second concern addressed in our response to the discussion draft report related to the analysis that supports the findings and the cost estimating methodology used to calculate potential savings. After reading the draft report, we still have those concerns. We provided comments about the reasonableness of the OIG's estimated savings/funds put to better use in our response to the discussion draft, and the only thing that happened was that the estimated savings increased. A brief description of one of our concerns is provided below:

- The estimated cost per page appears to be inflated. By dropping the lowest cost per page and the highest cost per page the IG increased the average cost per page from \$.63 to \$1.10. While the statistical concept of dropping the lowest and highest numbers is understood, in this particular case the lowest and highest costs are for disproportionate numbers of report pages. The highest cost of \$9.76 per page was for 2 reports with a total of 60 pages and the lowest cost of \$.06 per page was for 4 reports that contained a total of 67,204 pages. Because of the disparity in the number of pages, dropping the lowest and highest costs per page skewed the average cost per page dramatically higher than if all cost information had been included in the calculation.

Additionally, the draft report does not address the cost of implementing the recommendations. Audit savings, whether questioned costs or funds put to better use, are supposed to be net savings after subtracting the cost of implementing the recommendations. Implementation costs that should have been addressed include the

See  
Appendix J,  
OIG  
Comment.

cost of NASA printing hard copy reports from a contractor's electronic submission (required for Agency users who need hard copy documents to analyze the results) and the cost of modifying the contracts to require electronic submission of data reports (administrative costs to NASA and equitable adjustment costs assuming the contractors would not accept such a modification as a no cost change). Additional costs that were not addressed include the implementation cost of electronic commerce systems and the maintenance of those systems.

The Office of Procurement will not be able to take actions that will result in the closure of the recommendations. What we can, and will do, is work with the Chief Scientist, Chief Engineer, and CFO, advising them of your concerns and suggest that they issue policies meeting your recommendations.

**Recommendation 1:** Issue guidance to the NASA contracting community (e.g., contracting officers, contracting officer's technical representatives, task monitors, resource analysts) in the form of a Procurement Information Circular (PIC), or other suitable vehicle, to clearly state that the use of electronic commerce is NASA's preferred method for the submission of contract data requirements whenever feasible.

**Response:** Concur with intent. While we agree that more effective use of electronic reports could be made, and that NASA should expand its use of electronic reports, the Assistant Administrator for Procurement is not the appropriate official to perform the recommended corrective actions. The science and engineering offices, and the Chief Financial Officer (CFO) control the requirements for these reports. Procurement does not mandate the technical requirements that our customers must include in their statements of work.

We will work with the Chief Scientist, Chief Engineer, and CFO, advising them of your concerns and suggest that they issue policies meeting your recommendations. It is our understanding that the CFO is already engaged in plans to automate the submission of financial reports (NF533 series). While the decision as to how to best implement this recommendation rests with the offices mentioned above, we will suggest the chief engineer sponsor a team to find the best technical approach to achieve increased use of electronic commerce.

**Recommendation 2:** Establish an implementation plan that requires Center procurement offices, in conjunction with the cognizant technical personnel, to reassess the contract data requirements for all active contracts with a performance period extending beyond October 21, 2003, to identify opportunities to increase the use of electronic commerce for the submission of such deliverables. The implementation plan should identify impediments to the use of electronic commerce and include planned actions to remove the impediments by October 21, 2003, as required by the Government Paperwork Elimination Act of 1998.

**Response:** Concur with intent. We agree that contract data requirements for active contracts should be reassessed to identify opportunities to increase the use of electronic

## Appendix I

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commerce for the submission of such deliverables. However, as stated in our response to recommendation 1, the Assistant Administrator for Procurement is not the appropriate official to perform the recommended corrective action. We will work with the Chief Scientist, Chief Engineer, and CFO, advising them of your concerns and suggest that they establish an implementation plan meeting your recommendation.

## **Appendix J. OIG Comments on Management's Response**

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The Agency concurred (see Appendix I) with the report recommendations and included general comments regarding the report's cost estimating methodology, implementation costs, and the appropriate action official. In response to the Agency's comments, we removed our cost savings projections and references to those projections from the report. The following addresses the Agency's comments regarding the appropriate action official.

The Office of Procurement did not agree that the Assistant Administrator for Procurement is the appropriate official to perform the recommended corrective actions. We directed the report recommendations to the Associate Administrator for the Office of Procurement because the Associate Administrator establishes policy that affects NASA procurement offices, contracting officers, and procurement initiatives. NASA contracting officers are authorized to award contracts and provide contract language that requires action by NASA contractors, including requirements involving contract data reports. The Office of Procurement also serves in an advisory capacity to advise the Administrator and NASA senior management of potential efficiencies to be gained through Agency-wide standardization of procurement systems and to coordinate the implementation of approved procurement initiatives.

In contrast, the Chief Scientist, Chief Engineer, and Chief Financial Officer determine specific procurement requirements but are not authorized to award contracts. These officials can also establish policy for operations and organizations under their authority but do not coordinate procurement initiatives. They rely on the Associate Administrator for Procurement for guidance and direction on cost-effective and efficient procurement methods. The report merely recommends changing the delivery method for data reports and is comparable to any other delivery instruction contained in the contract. The recommendations do not materially impact the end-user's requirements and in no way affects the substance or contents of what the contractor delivers under the contract. The Office of Procurement's planned actions meet the intent of the recommendations and should increase the use of electronic contract data reports.

## **Appendix K. Distribution List**

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### **National Aeronautics and Space Administration (NASA) Headquarters**

A/Administrator  
ADT/Associate Deputy Administrator for Technical Programs  
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JSC/AA/Director, Lyndon B. Johnson Space Center  
KSC/CC/Chief Counsel, John F. Kennedy Space Center  
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WSTF/RE/Procurement Manager, White Sands Test Facility

### **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  
Managing Director, Acquisition and Sourcing Management Team, General Accounting Office  
Senior Professional Staff Member, Senate Subcommittee on Science, Technology, and Space

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Senate Subcommittee on Science, Technology, and Space

Senate Committee on Governmental Affairs

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House Subcommittee on VA, HUD, and Independent Agencies

House Committee on Government Reform

House Subcommittee on Government Efficiency and Financial Management

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**Report Title: Contract Data Reports, IG-03-021, dated September 16, 2003**

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*Circle the appropriate rating for the following statements.*

|  | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree | N/A |
|--|----------------|-------|---------|----------|-------------------|-----|
| 1. The report was clear, readable, and logically organized.  | 5              | 4     | 3       | 2        | 1                 | N/A |
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| 3. We effectively communicated the audit objectives, scope, and methodology.                                 | 5              | 4     | 3       | 2        | 1                 | N/A |
| 4. The report contained sufficient information to support the finding(s) in a balanced and objective manner. | 5              | 4     | 3       | 2        | 1                 | N/A |

***Overall, how would you rate the report?***

Excellent     Very Good     Good     Fair     Poor

***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.*** \_\_\_\_\_

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**How did you use the report?** \_\_\_\_\_  
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**How could we improve our report?** \_\_\_\_\_  
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