REVIEW OF SOLE-SOURCE AND LIMITED COMPETITION CONTRACT ACTIONS CITING “UNUSUAL AND COMPELLING URGENCY”

January 8, 2004
Review of Sole-Source and Limited Competition Contract Actions Citing “Unusual and Compelling Urgency”

We reviewed NASA’s use of the unusual and compelling urgency (urgency) exception to competition at three NASA Centers – Ames Research Center (Ames), Glenn Research Center (Glenn), and Marshall Space Flight Center (Marshall). We conducted this review because competition in contracting improves the efficiency and economy of the Government. Competition is the primary method for procurement in the Federal Government because, as stated in NASA’s “Competition Requirements Quick Reference Guide,” it can result in “lower prices, better products, safe effective performance, and can also provide innovative, commercial solutions . . .” to meet the Government’s needs.

We found no material deficiencies in Marshall’s use of the urgency exception for 17 contract actions we reviewed. While the majority of the contract actions we reviewed at Ames and Glenn were appropriate, these two centers can better justify and manage their use of the urgency exception. Specifically, 4 (20 percent) of the 20 sole-source and limited competition contract actions that cited the urgency exception at Ames and Glenn did not contain adequate justifications in accordance with the Federal Acquisition Regulation (FAR) and NASA FAR Supplement.

We found that Agency procurement and technical personnel did not include sufficient facts and rationale in the justifications to support the use of the urgency exception, including rationale to demonstrate that the Government would be seriously injured unless the Agency limited the number of sources from which it solicited offers. Also, the need for the exceptions was driven by the Agency’s failure to plan the actions sufficiently in advance rather than by a truly unusual and compelling need. Finally, we identified a specific control weakness at Glenn in that some Contracting Officers (COs) did not submit the Justifications for Other than Full and Open Competition (JOFOCs) for the required review by the Center procurement policy group.

Because of the lack of adequate justifications for the four identified contract actions, NASA has less assurance that it received fair and reasonable prices for these actions, which had a total value of $8.5 million. A previous academic study of potential savings through competition in contracting indicated that savings vary from 15 to 50 percent depending on specific circumstances and market factors. Considering the specific circumstances of the four contract actions in question, we believe that potential savings would likely have been in the lower end of this range.

We made five recommendations to assist NASA management improve the efficiency and effectiveness of its contracting by increasing the procurement and technical program community’s awareness of Federal and Agency regulations and procedures for limited competition procurements, planning more effectively for procurements, and ensuring that appropriate justification exists and is documented for such procurements.
Management concurred with all of the recommendations. The complete text of management’s response is in Appendix E. We consider management’s proposed or completed corrective actions responsive to our recommendations.

**Requirements for Use of the Urgency Exception**

The Competition in Contracting Act (CICA) of 1984, with limited exceptions, requires full and open competition in Federal contracting. Full and open competition means that all responsible sources are permitted to submit offers on Government requirements. The FAR and NASA guidance allow for exceptions to full and open competition, but such exceptions are to be limited and fully justified and approved. One such exception is based on urgency. FAR 6.302-2, “Unusual and compelling urgency,” states “when the agency’s need for supplies or services is of such an unusual and compelling urgency that the Government would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bid and proposals, full and open competition need not be provided for.” However, agencies must use prudent business judgment and adhere to procurement regulations when exercising the urgency exception to full and open competition.

When a requirement is determined to be urgent, the procurement office, in collaboration with the technical office (i.e., the program or project office requesting the procurement), must make a written justification for the proposed noncompetitive acquisition. This justification, known as the JOFOC, must be in writing and contain sufficient facts and rationale to support the use of the exemption cited. The CO is required to certify the JOFOC as accurate and complete, to the best of his or her knowledge. Also, technical or requirements personnel must certify supporting data provided to the CO as a basis for the justification. Further, approval and justification by additional NASA officials may be necessary, contingent on the dollar value of the acquisition and/or individual Center policies.¹

Procuring agencies are also required to publicly synopsize proposed limited competition² contract actions under most of the statutory authorities permitting contracting without providing for full and open competition. In publicly synopsizing the requirement, the Government ensures that any and all responsive offers are able to compete for the requirement. Further, this opens the procurement process to public scrutiny, under which the Government must have a justifiable reason for limiting competition for the requirement. However, because of the pressing need for the required goods and services inherent in the use of the urgency authority, agencies are not required to issue such notices when citing this exception. Therefore, because of the lack of transparency and the opportunity for public scrutiny, the Agency has a greater vulnerability for misuse of the urgency exception to full and open competition.

¹ The thresholds for such approval and justification are in FAR 6.304 and NASA FAR Supplement 1806.304-70.
² “Limited Competition” means limiting the number of sources from which the Government solicits bids or proposals, including sole-source actions.
Details on our review objectives, scope, and methodology are in Appendix B.

**Contract Actions Citing the Urgency Exception Lacked Adequate Justifications**

NASA COs and cognizant technical personnel at Ames and Glenn did not include adequate details in the JOFOCs, as required by the FAR and NASA FAR Supplement, for four contract actions that cited the urgency exception (see Appendix C for the JOFOC requirements). The following table summarizes, by Center, the number of contract actions we reviewed and shows the number and dollar value of the actions without adequate justifications.

<table>
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<tr>
<th>NASA Center</th>
<th>Number of Contract Actions Reviewed</th>
<th>Number of Actions Without Adequate Justifications</th>
<th>Percentage of Actions Without Adequate Justifications</th>
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The inadequate justifications were:

- At Ames, the JOFOC for a $306,766 action for aviation safety research and simulation services. The justification did not make reference to any market research conducted, describe the supplies and/or services to be acquired, or give an estimated cost for the effort. Further, the justification did not identify the contractor by name, describe the contractor’s unique capabilities, address the extent of harm to the Government, or include a CO certification of the cost as being fair and reasonable, as required by FAR Subpart 6.3.

- At Glenn, the JOFOC for a $7.2 million extension to the period of performance for aerospace research and development support services. While the JOFOC did identify the statutory basis for not competing the action, the justification did not identify the statutory exception to the synopsis requirement (e.g., urgency) or adequately address the specific extent and nature of the harm to the Government that necessitated the use of the urgency exception, as required by FAR Subpart 6.3 and NASA FAR Supplement Subpart 1806.3.

- At Glenn, the JOFOCs for two related contract actions, each valued at $499,999, involving a collaborative tools test program. The justifications for both actions cited unique vendor capabilities, based primarily on consultant opinions, but provided little other explanation. Further, the justification made no reference to the extent and nature of the harm to the Government necessitating the urgency exception, made no reference to other market research, and did not include a statement whether any other parties expressed an interest in the requirement, as required by FAR Subpart 6.3.
The Need for Using the Urgency Exception Was Driven by a Lack of Sufficient Advance Planning

For all four of the contract actions that lacked adequate justifications, the cognizant technical offices did not forward their requirements to the Center procurement offices in sufficient time to allow for full and open competition. The urgency was driven by a lack of sufficient advance planning, rather than a truly unusual and compelling need for supplies or services. The contracts we reviewed were not unknown requirements that developed, but rather were support services requirements for which the need should have been adequately planned. The NASA FAR Supplement contains justification requirements that ensure this situation does not occur.

Based on Types of Procurement Action categories, the contract actions we reviewed require lead times between 150 and 325 days. The technical offices did not initiate the procurement actions within the established lead times for any of the four actions. For example:

- The standard lead time for a procurement action such as the aviation services contract at Ames is 150 days. The technical office needed the services by September 30, 2001. However, Ames did not initiate the action until mid-July 2001 – approximately 75 days before the technical office needed the services. The CO stated that the urgency authority was necessitated by NASA Headquarters’ delay in designating Ames as the lead Center for the activity.

- The standard lead time for a procurement action such as the support services contract extension at Glenn is 325 days. However, Glenn did not initiate the action until 175 days before the expiration of the original contract. The CO and senior procurement officials indicated that the delay in initiating the action was a result of the inability of the procurement office to have the technical office designate a qualified Source Evaluation Board Chairperson and other necessary technical board members. The lack of advance planning necessitated the procurement action for the sole-source extension to the incumbent contract.

- The standard lead time for the two contract actions at Glenn was 150 days. Both actions cited the September 11, 2001, tragedy at the World Trade Center as the justification, but the contract actions were not initiated until mid-May 2002 – about 240 days after the tragedy.

Glenn procurement and technical representatives indicated that this pilot effort was initiated by the Chief Information Officer’s (CIO) Office at Headquarters before the tragedy of September 11. However, the actual procurement activity was delayed while the CIO’s office awaited inputs from consultant studies and decided which NASA Center would be designated as the lead Center for the pilot program. The decision to
designate Glenn as the lead center for this activity was not made until early-April 2002, and funding for the activity was not provided until mid-May 2002.

**Glenn JOFOCs Not Reviewed in Accordance With Center Policy**

For 6 (55 percent) of the 11 actions reviewed at Glenn, the COs did not submit the JOFOCs for review by the procurement policy group, as required by Center policy. Glenn Center Procedure No. GRC-P3.9.2.2, “Sole Source Justifications and Justifications for Other Than Full and Open Competition,” requires that Glenn COs submit JOFOCs to the Center’s Acquisition Support Branch for review to enhance competition in Glenn acquisitions and improve the quality of future justifications.

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

The Ames Center Director should:

1. Direct the Center Procurement Officer to ensure that the CO and cognizant technical personnel for contract NAS2-01082 be reminded of the requirement to adequately justify sole-source procurements using the urgency exception in accordance with FAR and NASA FAR Supplement requirements.

2. Direct cognizant technical program officials to submit procurement requirements to the procurement office with sufficient lead time to allow for proper market research and other required actions.

**Management’s Response.** Concur. On November 5, 2003, the Ames Director issued separate memorandums to the Procurement Officer and to Center-wide distribution addressing these issues. One memorandum directed the Procurement Officer to ensure that the Contracting Officer and the Contracting Officer’s Technical Representative for contract NAS2-01082 adequately justify sole-source procurements using the urgency exception in accordance with the FAR and NASA FAR Supplement requirements. The other memorandum, to Center-wide distribution, directed that all individuals who are involved in procurements assure that adequate time is provided the Acquisition Division to allow the Center to meet the intent of the law and implementing regulations. This memorandum further directed that that the reason for the exception be fully justified and approved.

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3 Glenn’s Acquisition Support Branch reviewed all three of the contract actions in question (see Appendix D). Two of the review memorandums stated that “the subject sole-source justification addressed all regulatory and statutory requirements” and the other two memorandums stated that “certain information required by the FAR [including adequate support for the use of the urgency exception] was not addressed.”
Evaluation of Management’s Response. We received signed copies of the Ames Director’s memorandums, which are responsive to the recommendations. These recommendations are, therefore, resolved and dispositioned and will be closed for reporting purposes.

The Glenn Center Director should:

3. Ensure that Center procurement and technical program officials adequately justify sole-source procurements using the urgency exception in accordance with FAR and NASA FAR Supplement requirements.

4. Direct cognizant technical program officials to submit procurement requirements to the procurement office with sufficient lead-time to allow for proper market research and other required actions.

5. Direct the Center Procurement Officer to ensure that all COs submit JOFOCs to the Acquisition Support Branch for review in accordance with Center policy.

Management’s Response. Concur. The Glenn Procurement Officer will (1) send a memorandum to all procurement staff specifying the FAR and NASA FAR Supplement requirements for justifying urgent sole source procurements; (2) provide all Center COs with a checklist specifying the FAR and NASA FAR Supplement requirements for justifying and documenting decisions to use other than full and open competition; and (3) send a memorandum to all procurement staff reminding them of the requirement to submit all JOFOCs to the Procurement Policy Analyst for post-approval review. In addition, a Glenn Procurement Policy Analyst will continue to perform an annual review of Center JOFOCs. Further, the Glenn Center Director will issue a memorandum to technical program and project managers reminding them to submit procurement requirements to the Procurement Division with sufficient lead time for proper market research and procurement processing without having to limit competition due to urgency. The projected completion date for these corrective actions is February 29, 2004.

Evaluation of Management’s Response. Management’s proposed corrective actions are responsive to the recommendations. These recommendations are resolved but will remain undispositioned and open until the proposed memorandums are issued.
Appendixes

Among the appendixes, note Appendix D, which provides statistical information for the contract actions reviewed.
List of Appendices

Appendix A – Status of Recommendations

Appendix B – Objectives, Scope, and Methodology

Appendix C – Competition Requirements

Appendix D – Contract Actions Reviewed

Appendix E – Management Comments

Appendix F – Report Distribution

Acronyms Used in the Report

CICA  Competition in Contracting Act
CIO   Chief Information Officer
CO    Contracting Officer
FAR   Federal Acquisition Regulation
FY    Fiscal Year
JOFOC Justification for Other Than Full and Open Competition
### Appendix A. Status of Recommendations

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* ECD – Estimated Completion Date.
Appendix B. Objectives, Scope, and Methodology

Objectives

Our objectives were to review the sole-source and limited competition contract actions citing the urgency authority to determine whether:

- Contract actions using this authority were supportable based on the market research and procurement planning activities done prior to the issuance of the contract action;

- These actions were being adequately justified, and properly reviewed and approved in accordance with Federal, Agency, and Center regulations and policies; and

- NASA was attempting to compete these requirements as much as practicable, as required by FAR 6.302-2, or whether these procurements normally resulted in “only one offer.”

Scope and Methodology

We performed the review at three NASA Centers: Ames Research Center (Ames), Glenn Research Center (Glenn), and Marshall Space Flight Center (Marshall). At the three Centers, we examined all contract actions from fiscal years (FYs) 2000 through 2002 that cited the urgency exception to competition. We reviewed 9 actions at Ames, 11 actions at Glenn, and 17 actions at Marshall, for a total of 37 contract actions.

We reviewed all pertinent Federal, Agency, and Center-specific laws, policies, and procedures pertaining to contracting without full and open competition. For each contract action sampled, we reviewed pertinent contract file documentation including the Justification for Other Than Full and Open Competition (JOFOC) and the results of any market research conducted by the procurement team. We also interviewed Contracting Officers, Contracting Officer’s Technical Representatives, and other procurement officials for the selected contract actions.

Use of Computer-Generated Data

We used computer-generated data from the NASA Acquisition Management System to identify the universe of contract actions at the three Centers and compared the contract numbers and dollar values from the system-generated list to the data in the contract files.

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4 “Only one offer” can result from the Government contracting on a sole-source or limited competition basis. However, a requirement can be competed by the Government through a formal solicitation, under which only one offer is received. Of the 17 contract actions at Marshall, 3 involved only one offer, and we found no problems with those actions.
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at the Centers. Nothing came to our attention to cause us to question the validity of the number of contract actions that cited the urgency exception for the period reviewed.

Management Controls Reviewed

We reviewed management controls over the award of the noncompetitive contract action at the three Centers. We determined that Ames and Glenn management could improve its control over selected noncompetitive contract actions (see the findings on pages 1-3).

Review Field Work

We performed review work from December 2002 through May 2003 at Ames, Glenn, and Marshall. This assignment began as an inspection activity in the NASA Office of Inspector General Office of Inspections and Assessments, and the review was conducted as a non-audit assignment in the new Office of Auditing. Although this review activity did not follow generally accepted government auditing standards, appropriate inspection and evaluation quality standards and controls were applied.
Appendix C. Competition Requirements

Both the Federal Acquisition Regulation (FAR) and NASA FAR Supplement address competition requirements. Those requirements are summarized below.

FAR Part 6.303-1, “Requirements”

(a) A contracting officer shall not commence negotiations for a sole source contract, commence negotiations for a contract resulting from an unsolicited proposal, or award any other contract without providing for full and open competition unless the contracting officer-

(1) Justifies, if required in 6.302, the use of such actions in writing;
(2) Certifies the accuracy and completeness of the justification; and
(3) Obtains the approval required by 6.304.

(b) Technical and requirements personnel are responsible for providing and certifying as accurate and complete necessary data to support their recommendation for other than full and open competition.

(c) Justifications required by paragraph (a) of this section may be made on an individual or class basis. Any justification for contracts awarded under the authority of 6.302-7 shall only be made on an individual basis. Whenever a justification is made and approved on a class basis, the contracting officer must ensure that each contract action taken pursuant to the authority of the class justification and approval is within the scope of the class justification and approval and shall document the contract file for each contract action accordingly.

(d) If the authority of 6.302-3(a)(2)(i) or 6.302-7 is being cited as a basis for not providing for full and open competition in an acquisition that would otherwise be subject to the Trade Agreements Act (see Subpart 25.4), the contracting officer must forward a copy of the justification, in accordance with agency procedures, to the agency's point of contact with the Office of the United States Trade Representative.

(e) The justifications for contracts awarded under the authority cited in 6.302-2 may be prepared and approved within a reasonable time after contract award when preparation and approval prior to award would unreasonably delay the acquisitions.

FAR Part 6.303-2, “Content”

(a) Each justification shall contain sufficient facts and rationale to justify the use of the specific authority cited. As a minimum, each justification shall include the following information:

(1) Identification of the agency and the contracting activity, and specific identification of the document as a "Justification for other than full and open competition."
(2) Nature and/or description of the action being approved.
(3) A description of the supplies or services required to meet the agency’s needs (including the estimated value).
(4) An identification of the statutory authority permitting other than full and open competition.
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(5) A demonstration that the proposed contractor’s unique qualifications or the nature of the acquisition requires use of the authority cited.

(6) A description of efforts made to ensure that offers are solicited from as many potential sources as is practicable, including whether a notice was or will be publicized as required by Subpart 5.2 and, if not, which exception under 5.202 applies.

(7) A determination by the contracting officer that the anticipated cost to the Government will be fair and reasonable.

(8) A description of the market research conducted (see Part 10) and the results or a statement of the reason market research was not conducted.

(9) Any other facts supporting the use of other than full and open competition, such as:
   (i) Explanation of why technical data packages, specifications, engineering descriptions, statements of work, or purchase descriptions suitable for full and open competition have not been developed or are not available.
   (ii) When 6.302-1 is cited for follow-on acquisitions as described in 6.302-1(a)(2)(ii), an estimate of the cost to the Government that would be duplicated and how the estimate was derived.
   (iii) When 6.302-2 is cited, data, estimated cost, or other rationale as to the extent and nature of the harm to the Government.

(10) A listing of the sources, if any, that expressed, in writing, an interest in the acquisition.

(11) A statement of the actions, if any, the agency may take to remove or overcome any barriers to competition before any subsequent acquisition for the supplies or services required.

(12) Contracting officer certification that the justification is accurate and complete to the best of the contracting officer's knowledge and belief.

(b) Each justification shall include evidence that any supporting data that is the responsibility of technical or requirements personnel (e.g., verifying the Government's minimum needs or schedule requirements or other rationale for other than full and open competition) and which form a basis for the justification have been certified as complete and accurate by the technical or requirements personnel.

NASA FAR Supplement Subpart 1806.3--Other Than Full and Open Competition

1806.303-270, “Use of unusual and compelling urgency authority”

If the authority at FAR 6.302-2 is used for extending the performance period of an existing services contract, the justification shall contain the information required by FAR 6.303-2 and;

(a) Documentation that the acquisition process for the successor contract was started early enough to allow for adequately planning and conducting a full and open competition, together with a description of the circumstances that prevented award in a timely manner; and
Appendix C

(b) Documentation of the reasons why no other source could practicably compete for the interim requirement.

1806.304-70, “Approval of NASA justifications”

Concurrences and approvals for justifications of contract actions conducted in accordance with FAR Subparts 6.2 and 6.3 shall be obtained as follows:

(a) For proposed contracts over $500,000 but not exceeding $10,000,000
   (1) Concurring official: Procurement Officer
   (2) Approving official: Center or Headquarters Competition Advocate.
(b) For proposed contracts over $10,000,000 but not exceeding $50,000,000
   (1) Concurring officials:
      (i) Procurement Officer
      (ii) Center or Headquarters Competition Advocate
   (2) Approving official: Head of the contracting activity
(c) For proposed contracts over $50,000,000
   (1) Concurring officials:
      (i) Procurement Officer
      (ii) Center or Headquarters Competition Advocate
      (iii) Head of the contracting activity
      (iv) Agency Competition Advocate
   (2) Approving Official: Assistant Administrator for Procurement
(d) The approval authority of FAR 6.304 (a) (3) may not be delegated to other than the installation's Deputy Director.
(e) For proposed contract actions requiring approval by the Assistant Administrator for Procurement, the original justification shall be forwarded to the Assistant Administrator for Procurement (Code HS).
(f) Regardless of dollar value, class justifications shall be approved by the Assistant Administrator for Procurement.
Appendix D. Contract Actions Reviewed

The sole-source and limited competition contract actions, citing the urgency exception, that we reviewed at Ames Research Center (Ames) and Glenn Research Center (Glenn) are listed below.

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Appendix E. Management Comments

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

December 8, 2003

Reply to Attn of:

HK

TO: W/Assistant Inspector General for Auditing
FROM: HK/Director, Contract Management

Enclosed is the Agency response to the subject report dated November 12, 2003.

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

James A. Balinkas
Enclosure
Recommendation 1: The Director, Ames, should direct the Center Procurement Officer to ensure that the CO and cognizant technical personnel for contract NAS2-01082 be reminded of the requirement to adequately justify sole-source procurements using the urgency exception in accordance with FAR and NASA FAR Supplement requirements.

Response: Concur. On November 5, 2003 the Director, ARC issued a letter to the Procurement Officer directing him to ensure that the Contracting Officer and contracting Officer's Technical Representative for contract NAS2-01082 adequately justify sole-source procurements using the urgency exception in accordance with FAR and NASA FAR Supplement requirements. A copy of the draft letter was provided to you on November 7, 2003. A copy of the signed letter (identical to the draft) will be provided if needed. We consider this recommendation closed and request a closure notice.

Recommendation 2: The Director, Ames, should direct cognizant technical program officials to submit procurement requirements to the procurement office with sufficient lead-time to allow for proper market research and other required actions.

Response: Concur. On November 5, 2003 the Director, ARC issued a letter to that was distributed Center-wide directing that all individuals who are involved in procurements assure that adequate time be provided the Acquisition Division in order to allow the Center to meet the intent of the law and implementing regulations. In those rare instances where there is an unusual and compelling urgency, the reason for the exception should be fully justified and approved. A copy of the draft letter was provided to you on November 7, 2003. A copy of the signed letter (identical to the draft) will be provided if needed. We consider this recommendation closed and request a closure notice.

Recommendation 3: The Director, Glenn, should ensure that Center procurement and technical program officials adequately justify sole-source procurements using the urgency exception in accordance with FAR and NASA FAR Supplement requirements.

Response: Concur. To ensure that Glenn officials adequately justify sole-source procurements using the urgency exception, the Glenn Procurement Officer will send a memo to all procurement staff specifying the FAR and NASA FAR Supplement requirements for justifying such sole source procurements. In addition, the Glenn Procurement Officer will provide all Center contracting officers with a checklist specifying the FAR and NASA FAR Supplement requirements for justifying and documenting decisions to use other than full and open competition.

Projected Corrective Action Closure Date: February 29, 2004
**Recommendation 4:** The Director, Glenn, should direct cognizant technical program officials to submit procurement requirements to the procurement office with sufficient lead-time to allow for proper market research and other required actions.

**Response:** Concur. The Glenn Center Director will issue a memorandum to technical program and project managers reminding them to submit procurement requirements to the Procurement Division with sufficient lead-time to enable proper market research and procurement processing without having to limit competition due to urgency.


**Recommendation 5:** The Director, Glenn, should direct the Center Procurement Officer to ensure that all COs submit JOFOCs to the Acquisition Support Branch for review in accordance with Center policy.

**Response:** Concur. The Glenn Procurement Officer will send a memo to all procurement staff reminding them of the requirement to submit all JOFOCs to the Procurement Policy Analyst for post-approval review. In addition, the Policy Analyst will continue to perform an annual review of Center JOFOCs.

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