

IG-98-027

**AUDIT
REPORT**

**NASA COSTS PAID TO REHIRED FORMER
JET PROPULSION LABORATORY
EMPLOYEES**

SEPTEMBER 21, 1998



National Aeronautics and
Space Administration

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ACRONYMS

CY	Calendar Year
DOE	U.S. Department of Energy
FFRDC	Federally Funded Research and Development Center
FY	Fiscal Year
GAO	U.S. General Accounting Office
JPL	Jet Propulsion Laboratory
LLNL	Lawrence Livermore National Laboratory
NASA	National Aeronautics and Space Administration
NMO	NASA Management Office
OIG	Office of Inspector General
OMB	Office of Management and Budget
PDAC	Procurement Division Administrative Control

W

September 21, 1998

TO: SJ/Director, NASA Management Office, Jet Propulsion Laboratory

FROM: W/Assistant Inspector General for Auditing

SUBJECT: Final Report on the Audit of NASA Costs Paid to
Rehired Former Jet Propulsion Laboratory Employees
Assignment Number A-HA-97-065
Report No. IG-98-027

The subject final report is provided for your use. Please refer to the Executive Summary for the overall audit results. Your comments on a draft of this report were responsive to our recommendations. Our evaluation of your responses has been incorporated into the body of the report. We request that management provide us the results of their actions to recover costs determined to be unallowable.

If you have questions concerning the report, please contact Mr. Lorne A. Dear, Program Director for Procurement and International Agreements Audits, at (818) 354-3360, or Ms. Anh Doan, Auditor-in-Charge, at (818) 354-9773. We appreciate the courtesies extended to the audit staff. See Appendix F for the report distribution.

Russell A. Rau

Enclosure

cc:

B/Chief Financial Officer

G/General Counsel

H/Associate Administrator for Procurement

S/Associate Administrator for Space Science

JM/Management Assessment Division

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NASA COSTS PAID TO REHIRED FORMER JET PROPULSION LABORATORY EMPLOYEES

EXECUTIVE SUMMARY

BACKGROUND

The Jet Propulsion Laboratory (JPL) is a Federally Funded Research and Development Center (FFRDC) operated by the California Institute of Technology (CalTech) under National Aeronautics and Space Administration (NASA) contract NAS7-1260. JPL, staffed primarily with CalTech employees, is a Government-owned installation in Pasadena, California.

JPL hires full-time and part-time employees, consultants,¹ and on-call² employees to perform work under contract NAS7-1260. Also, JPL's policy³ (waiver, see Appendix B) allows current or former employees to form their own companies and bid for JPL procurements.

As of October 1997, JPL consulting services authorized funds totaled about \$13 million. For calendar year (CY) 1997, JPL reported an estimated \$1.4 million for on-call services.

OBJECTIVE

The overall objective was to determine whether NASA has adequate controls over payments to former JPL employees rehired to perform work under contract NAS7-1260. (See additional details on objective, scope, and methodology in Appendix A.)

RESULTS OF AUDIT

NASA controls over costs for former JPL employees rehired to perform work under contract NAS7-1260 can be improved. Specifically, JPL (1) rehired former employees as consultants and extended their services without adequate justification and (2) paid former employees as consultants at a daily rate that exceeded their JPL final salary rate. Also former employees were rehired as on-call personnel without adequate justification

¹ A consultant provides advisory services to JPL but does not supervise the performance of operating functions. Some consultants may be former JPL employees.

² On-call employees may provide services (for example, manage specific work, supervise operations) other than advisory services. On-call employees may also work at irregular or infrequent intervals. Some on-call employees may be former JPL employees.

³ The audit scope did not include a review of this policy.

and were paid (1) for travel expenses not initially approved or (2) more than the annual maximum hours allowed without approval. As a result, we could not determine whether services received by NASA were allowable or reasonable. Of \$538,496 in sampled costs for consulting services, we questioned \$54,674 for consultants' pay that exceeded their final JPL compensation rate. Similarly, we questioned \$41,274 of \$3.8 million⁴ for sampled on-call services paid to on-call personnel who worked in excess of the maximum hours allowed by JPL policy.

RECOMMENDATIONS

We recommended that the Director, NASA Management Office at JPL, direct JPL to (1) comply with existing procedures for hiring consultants and on-call personnel, (2) revise its procurement policies and procedures to include managerial review and approval of consultant agreements and documentation of consultants' work, and (3) establish procedures for justifying rehiring former employees for on-call services and for documenting travel expenses for employees who moved out of JPL's commuting area.

Furthermore, we recommended that the Director review the reasonableness of costs paid for obtaining consulting and on-call services from former JPL employees and recover any unreasonable costs.

Management's Response and Evaluation of the Response

Management either concurred or concurred with the intent of all recommendations and will take recommended actions to ensure adequate controls over payments to former JPL employees rehired to perform work under contract NAS7-1260. We consider planned actions responsive to the intent of the recommendations.

⁴ Reviewed on-call costs for CYs 1996 and 1997 totaled \$2.4 million and \$1.4 million, respectively.

FINDINGS AND RECOMMENDATIONS

FORMER EMPLOYEES REHIRED AS CONSULTANTS

Former JPL employees were rehired as consultants, and their services were extended without adequate justifications. Further, some consultants were paid at a daily rate that exceeded their JPL final salary rate. These conditions occurred because JPL did not follow its policies and procedures regarding the consultants' justifications and daily rates or comply with Office of Management and Budget (OMB) Circular A-21⁵ requirements. Additionally, JPL policies did not require managerial review and approval of consulting agreements and documentation of consultants' work. Consequently, we could not determine whether services received by NASA were allowable or reasonable. We questioned \$54,674 of the \$538,496 in consultant costs that were in excess of the former employees' final compensation rates (see Appendix C).

Justifications to Hire Consultants

Of the 47 consultant agreements selected for review, 14 were awarded to former JPL employees. Further, of those 14 agreements, 10 (71 percent) were awarded with incomplete justifications. JPL Procurement Manual, P-819, "Consulting Services Agreements," August 16, 1994, sets forth JPL policies and procedures for procuring consulting services. Sections II.D.7 and III.A.2.b. of the manual require the justification:

- to explain whether substantially equivalent services could be obtained elsewhere and why the former employee could not be retained as an on-call employee; and
- to include a clear, specific, detailed, and complete description of the subject area the consultant will be involved in at JPL.

A March 29, 1984, JPL procurement manual, which was superseded by the August 16, 1994 version, also required "A specific and complete description of the subject, area, or field of work the consultant will be involved in at JPL." All 10 consultant agreements did not comply with either version. The justifications for the 10 agreements simply stated the consultants' advisory services and the consultants' expertise. The JPL requesters⁶ did not include the details required by JPL policy.

⁵ OMB Circular A-21, "Principles for Determining Costs Applicable to Grants, Contracts, and Other Agreements with Educational Institutions," April 26, 1996.

⁶ JPL requesters could be group supervisors or section, division, or project managers.

**Extension of
Consultants' Services**

The justifications to extend 11 (79 percent) of the 14 sampled consultant agreements were incomplete. The JPL Procurement Manual, P-819, section III.A.5, requires that requests for extended services should include "adequate justification and appropriate signature approvals." Although the manual requires that an adequate justification identify the rationale for extending services, the JPL requesters' justifications did not identify the rationale. Section II.A. of the manual defines "consulting services" as "services of an advisory nature for brief periods of time." Yet, 7 of the 11 consultants have provided extended services for more than 5 years, including 1 former employee who has been consulting for JPL for 19 years.

**Consultants' Daily
Rates**

For 7 (50 percent) of the 14 sampled consultant agreements, the daily compensation rates exceeded the former JPL employees' final salary rates. Manual P-819, section II.D.2.a. limits the daily rate to the individual's final compensation rate at JPL.⁷ For the seven agreements, the procurement employee negotiated consultants' rates that equaled 150 percent of their JPL final compensation rates, customary rates⁸ at other organizations, or an arbitrary amount exceeding the consultant's final salary rate at JPL. Two of the seven agreements were covered under the prior JPL policy⁹ that did not restrict a former employee's daily rate. OMB Circular A-21, section C.3,¹⁰ states

A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made.

Accordingly, we considered all payments in excess of the former JPL employees' final salary rates as unreasonable costs. Of the \$538,496 for the 14 sampled agreements, we questioned \$54,674

⁷ The former employee's salary rate before leaving JPL.

⁸ For example, one former employee went to work for a local school district after leaving JPL. The procurement employee established his consulting rate based on the school district's rate, not the JPL final salary rate.

⁹ JPL Procurement Manual, P-819, March 29, 1984.

¹⁰ OMB Circular A-21, section C.3., "Reasonable Costs," April 26, 1996.

(see Appendix C) in consultant costs that was in excess of the former employees' final compensation rates.

**Management Reviews
of Requests for
Consultants**

No high-level JPL manager reviewed the requests for consultants. Manual P-819 states that requesters of consulting services are responsible to assemble a procurement requisition, resumé, statement of work, and the necessary approvals for daily rates and consulting days and to forward the complete consultant file to the Procurement Division Administrative Control (PDAC) employee for processing. The PDAC employee (negotiator) must review the request and related documents and prepare the consulting services agreement. The manual does not require management review and approval of the agreement in terms of justification of the need for the consultant, technical qualifications of the proposed consultant, adequacy of the scope of work, and possible conflict of interest.

The procedures for hiring consultants at another FFRDC¹¹ require that requests for consultants be reviewed and approved at an Associate Director level. The Associate Director is responsible to review the agreement and determine the need for the consultant, technical qualifications of the proposed consultant, adequacy of the scope of work, and any conflict of interest. If approved, the Associate Director forwards the package to the Consultant Office Administrator. The Consultant Office Administrator ensures that the consultant's statement of expertise is adequate, no conflict of interest exists, and the consultant's compensation rate, travel, and subsistence fees are reasonable. We did not audit or test these procedures. However, we believe that this type of managerial review and approval of requests for consultants could ensure adequate justification, reasonable daily rates, and avoid any conflict of interest.

Furthermore, the lack of managerial review could significantly affect the JPL policy¹² that allows current or former employees to form their own companies and bid for JPL procurements. According to an Ernst & Young LLP¹³ report on JPL's purchasing system, JPL policy could result in a possible conflict of interest.

¹¹ For comparison purposes, we reviewed and compared hiring consultant procedures at the Lawrence Livermore National Laboratory (LLNL) to the JPL procedures. LLNL is a U.S. Department of Energy FFRDC.

¹² JPL Interoffice Memorandum, "Temporary Waiver to Permit JPL Employees to Switch to Contractor Status," January 20, 1997. Details are in Appendix B.

¹³ Ernst & Young LLP, Report on "Contractor Purchasing System Analysis at the Jet Propulsion Laboratory," May 3, 1996.

The report also states that while JPL maintains written policies and procedures relative to business ethics and conflict of interest, acquisition personnel ordinarily are not able to determine whether individuals are current or former JPL employees or whether subcontracted organizations are owned by current or former JPL employees.

**Evidence Of
Consultants'
Work**

JPL does not require its consultants to provide details of their services on invoices. The JPL invoice, Form 1123-S, requires consultants to show only the number of days worked, their daily rate, and travel expenses, if any. Form 1123-S does not require a description of the work done for the periods invoiced. Consultants' invoices, when received at JPL, are forwarded to the JPL requesters. The requesters, at their own discretion, designate the appropriate accounts to be charged and forward the invoices to the contract audit section for payment. This process does not allow visibility over the consultants' services. Furthermore, consultants' work products were not readily available for review. For example, JPL could not provide us the work products for 6 of the 14 former employees rehired as consultants. For the remaining eight consultants, JPL located some evidence (minutes of meetings, attendee list at review source board meetings, consultants' notes) after our repeated requests. Consultants' work products were not generally available because JPL officials stated that there is no policy requiring that evidence of work product be maintained. A CalTech internal audit previously identified the lack of details on the invoices as an internal control weakness.¹⁴

RECOMMENDATION 1

The Director, NASA Management Office at JPL should direct JPL to:

- a. Ensure that requesters of consultant services and the PDAC follow the existing JPL policies for hiring former employees as consultants, for extending consulting services, and for establishing consultants' daily rates.
- b. Annually assess compliance with its consulting procedures and report results of the assessment to the NASA Management Office.

¹⁴ Audit Report No. 91-33: "Consulting Services Agreements at JPL," February 12, 1992. The CalTech report noted several deficiencies including the lack of details on the consultants' invoices and the extended use of consultants' services.

Management's Response The NASA Management Office (NMO) concurred with recommendation 1a. In addition, the justifications will require JPL requesters of consulting services to explain whether or not substantially equivalent services could be obtained elsewhere. JPL will also be required to fully justify the daily rates paid to former employees hired as consultants, to include appropriate approvals, when JPL pays more than the employee's final salary rate.

The NMO concurred with the intent of recommendation 1b. and will periodically request the Defense Contract Audit Agency to review JPL's compliance with its consulting policies and procedures. The complete text of management's comments is in Appendix E.

Evaluation of Management's Response The actions planned by the NMO are responsive to the recommendation.

RECOMMENDATION 2 The Director, NASA Management Office at JPL, should direct JPL to revise its Procurement Manual P-819 to require (1) a management review and approval of consultant agreements in terms of justification of the need for the consultant, technical qualifications of the proposed consultant, adequacy of the scope of work, and possible conflict of interest; and (2) documentation of work product and work performed by consultants for the periods invoiced.

Management's Response The NMO concurred with the intent of the recommendation. A director's approval and additional enhancements¹⁵ in JPL policies and procedures should provide adequate controls over the hiring of former employees as consultants. Also, JPL will (1) require consultants and receivers of services to certify that the billings are for work performed within the scope of the agreements and (2) encourage JPL receivers of services to keep evidence of consultant work. Consultants will be required to briefly describe their work on the JPL invoice.

Evaluation of Management's Response The actions planned by the NMO and JPL are responsive to the recommendation.

RECOMMENDATION 3 The Director, NASA Management Office at JPL, should review the reasonableness of the costs paid to former JPL employees rehired as consultants during FYs 1996 and 1997 and recover any unreasonable costs.

¹⁵ The enhancements are discussed in management's comments on Recommendation 1.

Management's Response

The NMO concurred with the intent of the recommendation. The NMO will review the instances cited in the report, determine the allowability of the costs involved, and recover any costs deemed unallowable.

Evaluation of Management's Response

The action planned by the NMO is responsive to the recommendation.

***FORMER EMPLOYEES
REHIRED AS ON-
CALL PERSONNEL***

Former JPL employees were rehired as on-call personnel without adequate justifications. Further, some were paid for travel or for more than the annual maximum hours allowed without adequate approval. These conditions occurred because JPL has no policy that requires justification for on-call personnel or that requires documentation of travel authorizations for on-call personnel who moved out of JPL's commuting area. Regarding hours in excess of the maximum allowed, JPL neither monitored the on-call hours nor obtained the required approvals. As a result, we were unable to determine whether services received by NASA were allowable or reasonable and whether NASA benefited from the on-call services. Of the \$3.8 million paid for on-call services in our sample, we questioned \$41,274 paid for on-call services during CYs 1996 and 1997 in excess of the maximum hours allowed (see Appendix D).

**Justification to Hire
On-Call Personnel**

Of the 77 randomly sampled on-call employees, 75 (97 percent) were former JPL employees. Further, JPL managers hired the 75 former employees without adequate justification. Of the 75 employees, 34 (45 percent) were approved for rehire prior to their voluntary separation or retirement from JPL. Examples of inappropriate justifications on file follow.

- “perform ad hoc timekeeping-related assignments”
- “on-call retiree position. Will research and compile history of the Deep Space Network ... ”
- “perform ad hoc assignments for the Assistant Laboratory Director”
- “employee will terminate and come back as on call to continue supporting [the program] as part of management staff ... ”
- “will facilitate new transitioning in period for his replacement; will handle special focus tasks assigned by Deep Space Network advanced planning manager”
- “provide documentation support ... as needed”

A JPL Human Resources representative confirmed that JPL did not have a specific policy that requires JPL management to justify the need for on-call employees. Five (7 percent) of the 75 former employees were rehired the day after they left JPL, while 52 (69 percent) were rehired within 3 months of their voluntary termination or retirement. One on-call employee worked prior

to approval for rehire. Further, two retired employees worked before their effective rehire dates, and JPL management adjusted (through JPL interoffice memoranda) documentation so that the employees could get paid.

Conflict of Interest Observation. A JPL requester (a manager) rehired a former employee as on-call knowing that he was President of a local company owned by the requester's spouse (also a former JPL employee). The on-call employee had full access to JPL's services (telephone, e-mail, and JPL badge). Consequently, management may be responsible for a conflict of interest and breach of security. We brought this issue to the attention of JPL representatives at a meeting on March 5, 1998. Subsequently, we confirmed through the JPL personnel database that the employee was removed as an on-call employee.

**Travel Approval for
On-Call Personnel**

JPL has no specific requirement to document initial travel authorization for on-call employees. Of the 75 on-call former employees, 14 moved out of JPL's commuting area after retirement. Several on-call employees moved out of state and JPL reimbursed those employees for travel expenses (airfare, hotel, rental car and per diem) to commute to work at JPL. JPL representatives stated that on-call personnel authorization for travel to work at JPL is documented in the same manner as regular employees, that is, on the travel requests when the on-call employees needed to get to JPL from their residences. There is no specific requirement to document travel authorization for on-call personnel who moved out of JPL's commuting area. OMB Circular A-21, section A.2.d., requires that in the fulfillment of its obligations, each institution should use sound management practices. Without the initial authorization, JPL management would not be able to measure the additional expenses associated with the travel of on-call former employees.

**Approval for On-Call
Personnel to Work
Beyond the Maximum
Allowed**

Ten (13 percent) of the 75 on-call former employees, worked more than the allowed 1,000 hours per calendar year. According to JPL Personnel Instruction 2-08-2, "Salary, Job Classification Review, and Promotion," August 29, 1994, "On-call employees are limited to 1,000 hours of work per calendar year, unless additional hours are approved by the Human Resources Division Manager or designee." A JPL Human Resources representative could not provide us the required approvals for 5 of the 10 on-call employees who exceeded the maximum hours allowed. Further, one of the approvals had been issued retroactively 1 month after the employee exceeded the 1,000-hour threshold. JPL management neither monitored the on-call hours nor obtained the required approval in a timely manner. As a result, NASA paid

\$41,274 (\$29,378 of questioned on-call services plus \$11,895 of questioned burden costs¹⁶) in excess on-call costs (see Appendix D).

RECOMMENDATION 4 The Director, NASA Management Office at JPL, should require JPL to:

- a. Establish policies and procedures to properly (1) justify the rehiring of former employees as on-call and (2) document on the initial requisitions authorizations of travel expenses for on-call personnel who moved out of JPL's commuting area.
- b. Comply with Personnel Instruction 2-08-2 to ensure that on-call employees do not exceed the allowed 1,000-hour threshold per calendar year.
- c. Annually monitor and report to the NASA Management Office any hours exceeding the 1,000-hour threshold.

Management's Response The NMO concurred with the intent of recommendation 4a. The NMO will work with JPL to ensure that on-call employees are identified on the job requisition and that the job requisition contains an authorization for travel when on-call employees are hired from outside the commuting area.

The NMO concurred with recommendations 4b. and c. The NMO will require JPL (1) to ensure that hours in excess of 1,000 hours are approved by Human Resources in advance and (2) to report semiannually instances in which on-call employees worked more than 1,000 hours.

Evaluation of Management's Response The actions planned by the NMO are responsive to the recommendation.

RECOMMENDATION 5 The Director, NASA Management Office at JPL, should review the allowability of the CYs 1996 and 1997 costs paid to on-call

¹⁶ Burden (indirect) costs are not readily identifiable with a particular end product, but rather relate to many tasks. In accordance with cost accounting standards, burden costs are allocated to benefiting projects and jobs. Burden costs can include indirect labor, travel, and moving costs; services rendered to administrative functions servicing JPL as a whole; general-purpose equipment, materials, supplies, and tools; facility costs; and benefits and vacation costs for indirect charging staff.

former employees that exceeded the maximum hours allowed and recover any unallowable costs.

Management's Response

The NMO concurred with the intent of the recommendation. The NMO will review the instances described in the report, determine the allowability of the costs involved, and recover any costs deemed unallowable.

Evaluation of Management's Response

The action planned by the NMO is responsive to the recommendation.

Objective, Scope, and Methodology

OBJECTIVE

The overall objective was to determine whether NASA has adequate controls over costs paid to former JPL employees rehired to perform work under contract NAS7-1260.

SCOPE AND METHODOLOGY

Our field work at JPL included discussions and interviews with NASA, JPL, and CalTech personnel. Also, we reviewed JPL and other FFRDC policies and procedures concerning the hiring of consultants and on-call personnel, to include:

- JPL Procurement Manual, P-819, “Consulting Services,” August 16, 1994;
- JPL Personnel Instruction 2-08-2, “Salary, Job Classification Review, and Promotion,” August 29, 1994;
- JPL Policy, “Conflict of Interest - Former Employees,” March 13, 1997;
- JPL Ethics Handbook, November 1997; and
- Lawrence Livermore National Laboratory “Supplemental Instruction Section:37.1.1, Consultant Services,” October 1997.

We also reviewed the following:

- NASA contract NAS7-1260, effective September 1993 through October 1998;
- OMB Circular A-21, section J.32, “Professional Services Costs,” April 26, 1996;
- Federal Acquisition Regulation 31.205-33, “Professional and Consultant Service Costs,” September 30, 1997 (for comparative purposes); and
- audit reports on consulting agreements issued by CalTech, the U.S. General Accounting Office, and other agencies.

To make determinations regarding the consultants and on-call personnel, we sampled the following:

Appendix A

- 47 of the 276 consultant files active as of October 1997; the amount of consultant authorized funding reviewed is about \$6 million, or 45 percent of the total universe amount of \$13 million;
- 77 of the 233 on-call employees' names listed in a JPL database, as of October 1997; (the total on-call costs reviewed totaled \$2.4 million and \$1.4 million for CYs 1996 and 1997, respectively¹⁷); and
- 43 of the 515 active subcontracts as of September 1997; (the subcontract costs reviewed amounted to \$290 million, or 67 percent of the total universe of \$436 million).

Further, we compared JPL consulting policies with policies at Lawrence Livermore National Laboratory, a U.S. Department of Energy FFRDC.

MANAGEMENT CONTROLS REVIEWED

The significant management controls reviewed included:

- procurement procedures for hiring consultants and on-call personnel; and
- procedures for selecting and awarding subcontracts.

Overall, management controls were sufficient. However, we identified several weaknesses regarding the hiring and use of former JPL employees as consultants and on-call personnel. These weaknesses are discussed in detail in the Findings and Recommendations section of the report.

AUDIT FIELD WORK

We conducted our field work at JPL from December 1997 through June 1998. We performed the audit in accordance with generally accepted government auditing standards.

¹⁷ We do not have the total universe for on-call costs, because JPL treated on-call employees' payroll and timecards the same as regular full-time employees, and the audit liaison representative stated that there is no readily available mechanism to segregate the on-call costs from the regular employees' costs.

Appendix B

Additional Background Information

JPL recently outsourced at least five activities: Desktop and Network Services, Instrument Services, Financial Services, Facility Maintenance and Operations, and Mission Operation Services. The outsourcing effort resulted from JPL's need to perform its mission with a smaller workforce, as directed by NASA. On January 20, 1997, JPL issued an interoffice memorandum, "Temporary Waiver to Permit JPL Employees to Switch to Contractor Status," to temporarily authorize terminated personnel to accept employment with companies having JPL contracts within 1 year of their date of termination of employment. This waiver is in effect through December 31, 2000. Under the waiver, former JPL employees also have the opportunity to form their own companies and bid for JPL procurements, subject to JPL's ethics policy.

Further, according to a U.S. General Accounting Office guide,¹⁸ payments for consulting services are considered a sensitive payment area. The guide states, in part, "... although the dollar amounts involved are usually not large enough to materially affect the fair presentation of the financial statements, the public disclosure of improper payments may result in significant criticism of the entity... ."

¹⁸ The GAO "*Guide for Evaluating and Testing Controls Over Sensitive Payments*," May 1993, provides a framework for evaluating and testing the effectiveness of internal controls established in various sensitive payment areas, including consulting services.

Appendix C

Questioned Costs for Consultants

1	2	3	4	5	6	7	8	9	10
Consultants	Daily Rate	Final Compensation Rate ¹	Rate Variance (col. 2 - col. 3)	FY 97 Days	FY 97 Questioned Costs (col. 4 x col. 5)	FY 96 Days	FY 96 Questioned Costs (col. 4 x col. 7)	Total Questioned Costs (col. 6 + col. 8)	Explanation for Rate Variance
1	\$335.00	\$308.20	\$26.80	19	\$509.20			\$509.20	Final compensation rate of \$308. Noncompliant calculation. Salary was adjusted to obtain highest daily rate.
2	\$500.00	\$427.00	\$73.00	19	\$1,387.00	99	\$7,227.00	\$8,614.00	Final on-call rate of \$427. Inadequate justification for rate increase: "to save on burden."
3	\$392.00	\$392.00	\$0.00						
4	\$500.00	\$500.00	\$0.00						
5	\$492.00	\$328.00	\$164.00	40	\$6,560.00	44	\$7,216.00	\$13,776.00	Final compensation rate of \$328. \$492 equals 150% of final rate.
6	\$417.00	\$278.00	\$139.00	104	\$14,456.00	90	\$12,510.00	\$26,966.00	Final compensation rate of \$278. \$417 equals 150% of final rate.
7	\$600.00	\$600.00	\$0.00						
8	\$300.00	\$300.00	\$0.00						
9	\$375.00	\$375.00	\$0.00						
10	\$330.00	\$330.00	\$0.00						
11	\$310.00	\$285.72	\$24.28	66	\$1,602.48			\$1,602.48	Final compensation rate of \$285.72. Noncompliant calculation. Salary was adjusted to obtain highest daily rate.
12	\$500.00	\$500.00	\$0.00						
13	\$331.00	\$141.94	\$189.06	3	\$567.18	5	\$945.30	\$1,512.48	Final on-call rate of \$141.94. Noncompliant calculation. Salary was adjusted to obtain highest daily rate.
14	\$800.00	\$558.00	\$242.00	7	\$1,694.00			\$1,694.00	Final compensation rate of \$558. \$800 equals 144% of final rate. Salary was adjusted to obtain highest daily rate.
TOTAL					\$26,775.86		\$27,898.30	\$54,674.16²	

¹ According to JPL Procurement Manual, P-819, dated August 1994, the daily rate for former JPL employees should not exceed the individual's final compensation rate.

² See discussion on page 2.

Appendix D

Questioned Costs for On-Call Services

1	3	4	5	6	7	8	9	10
ON-CALL EMPLOYEES	ON-CALL HIRING RATE/ WEEK	CY HOURS 1997	CY HOURS 1996	QUESTIONED HOURS - 1997 (col. 4 -1,000 ¹)	QUESTIONED COSTS - 1997 (col. 3/40 hr. x col. 6)	QUESTIONED HOURS - 1996 (col. 5 -1,000 ¹)	QUESTIONED COSTS - 1996 (col. 3 /40 hr. x col. 8)	TOTAL QUESTIONED COSTS (col. 7 + col. 9)
1	\$880.00	688	1,120	-	-	120	\$2,640.00	\$2,640.00
2	\$1,730.00	1,246	990	Approved ²	-	-	-	-
3	\$1,736.00	1,253	812	Approved ²	-	-	-	-
4	\$2,020.00	1,141	1,032	141	\$7,120.50	Approved ²	-	\$7,120.50
5	\$1,014.00	1,030	1,052	30	\$760.50	52	\$1,318.20	\$2,078.70
6	\$1,176.00	1,883	526	Approved ²	-	-	-	-
7	\$1,512.00	1,018	1,534	Approved ²	-	-	-	-
8	\$2,564.00	1,002	1,020	2	\$128.20	20	\$1,282.00	\$1,410.20
9	\$1,720.00	1,109	1,051	Approved ²	-	-	-	-
10	\$690.00	1,075	1,860	75	\$1,293.75	860	\$14,835.00	\$16,128.75
			Total	248	\$9,302.95	1,052	\$20,075.20	\$29,378.15³

¹ Maximum allowed per JPL Personnel Instruction 2-08-2, August 29, 1994.

² JPL provided us the required approvals from the Human Resources Division Manager.

³ As discussed on page 9.

Application of Burden to Questioned Costs for On-Call Services

	1	2	3	4	5
		BURDEN RATES ¹	QUESTIONED COSTS	TOTAL BURDEN COSTS ASSOCIATED TO QUESTIONED COSTS (col. 2 x col. 3)	TOTAL QUESTIONED COSTS
FY 1997	MPS and ADC	21.30%	\$9,302.95	\$1,981.53	
FY 1997	Benefits	22.30%	\$9,302.95	\$2,074.56	
	Total Burden Questioned Costs				\$4,056.09
FY 1996	MPS and ADC	17.48%	\$20,075.20	\$3,509.14	
FY 1996	Benefits	21.57%	\$20,075.20	\$4,330.22	
	Total 1996 Burden Questioned Costs				\$7,839.37
	Burdened Questioned Costs for FYs 1996 and 1997				\$11,895.45
	Add On-call Services Questioned Costs				\$29,378.15
	Total Questioned Costs (burdened) for On-call Services				\$41,273.60²

ADC: Allocated Direct Cost

MPS: Multiple Program Support

¹ From FYs 1996 and 1997 Allocated Direct Cost Reports.

² As discussed on page 9.

Appendix E

Management's Response

National Aeronautics and
Space Administration

Jet Propulsion Laboratory
NASA Management Office
4800 Oak Grove Drive
Pasadena, CA 91109-8099



Report No. SJ

August 31, 1998

TO: W/Assistant Inspector General for Auditing

FROM: SJ/Director

SUBJECT: OIG Draft Report on the Audit of NASA Costs Paid to Rehired
Former Jet Propulsion Laboratory Employees
Assignment No. A-HA-97-065

Below is the NMO's response to the subject audit. JPL's comments have been incorporated as considered appropriate.

Recommendation 1

The Director, NASA Management Office at JPL, should direct JPL to:

- a. Ensure that requesters of consultant services and the PDAC follow the existing JPL policies for hiring former employees as consultants, for extending consulting services, and for establishing consultant's daily rates.
- b. Annually assess compliance with its consulting procedures and report results of the assessment to the NASA Management Office.

NMO Response:

- a. Concur: JPL has agreed to amend its form entitled "Basic Consulting Agreement Justification" to include a specific section where the requester can explain whether or not substantially equivalent services could be obtained elsewhere. Also, JPL indicates that the Buyer/Negotiator will be required to ensure that the justifications include a clear, specific, detailed, and complete description of the subject area the consultant will be involved in at JPL.

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JPL agrees that requests for services should be fully justified and that performance in this area can be improved and will require the Buyer/ Negotiator to ensure that requesters provide an adequate justification that identifies the rationale for extending services, including why the consultant services are still needed. The NMO will require that the justification **require** the requester to explain whether or not substantially equivalent services could be obtained elsewhere.

JPL will be required to fully justify the daily rates paid to former JPL employees hired as consultants to include appropriate approvals when paid more than the employee's final salary rate.

- b. Concur with Intent: The NMO will periodically request DCAA to review JPL's compliance with its consulting policies and procedures. The frequency will depend on whether problems are identified during the course of the review.

Recommendation 2

The Director, NASA Management Office at JPL, should direct JPL to revise its Procurement Manual P-819 to require (1) a management review and approval of consultant agreements in terms of justification of the need for the consultant, technical qualifications of the proposed consultant, adequacy of the scope of work, and possible conflict of interest; and (2) documentation of work product and work performed by consultants for the periods invoiced.

NMO Response: (1) Concur with Intent. JPL Procurement Manual P-819, Part II, 7, requires that former employees may not be hired as consultants without the approval of the cognizant director. The director's approval along with the enhancements discussed above should address the OIG's concerns. (2) Concur with intent. JPL will require consultant invoices to include the following statement: "This billing is for work performed within the scope of consulting agreement no. (insert number)" and be signed by the consultant and endorsed by the receiver of services. In addition, receivers of consultant services will be encouraged to keep evidence of consultant services. The NMO will require that the consultant be required to include work periods on the invoice. For example, "May 5 (0800-1600) met with XYZ Council on subject of (fill in subject).

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Recommendation 3

The Director, NASA Management Office at JPL, should review the reasonableness of the costs paid to former JPL employees rehired as consultants during FYs 1996 and 1997, and recover any unreasonable costs.

NMO Response:

Concur with Intent: The NMO will review each of the instances cited by the OIG and make a determination as to the allowability of the costs involved. The NMO will recover any costs determined to be unallowable.

Recommendation 4

The Director, NASA Management Office at JPL, should require JPL to:

- a. Establish policies and procedures to properly (1) justify the rehiring of former employees as on-call and (2) document on the initial requisitions authorizations of travel expenses for on-call personnel that moved out of JPL's commuting area.
- b. Comply with Personnel Instruction 2-08-2 to ensure that on-call employees do not exceed the allowed 1,000 hour threshold per calendar year.
- c. Annually monitor and report to the NASA Management Office any hours exceeding 1,000 hour threshold.

NMO Response:

- a. Concur with Intent: (1) JPL policies require justification for hiring employees. We do not believe that separate policies are required just for on-call employees, however, the employee requisition should identify the employee as on call and have adequate justification for hiring the on call employee. The NMO will work with JPL to ensure that on-call employees are identified on the job requisition. (2) Concur with Intent. The NMO will require that the job requisition contain a statement that travel is authorized when on-call employees are hired from outside the commuting area.

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- b. Concur: JPL indicated it will improve its monitoring of hours worked by on-call employees. The NMO will require JPL to ensure that hours in excess of 1,000 be approved by Human Resources in advance.
- c. Concur: JPL will be required to report semiannually instances in which on-call employees worked more than 1,000 hours.

Recommendation 5

The Director, NASA Management Office at JPL, should review the allowability of the CYs 1996 and 1997 costs paid to on-call former employees that exceed the maximum hours allowed, and recover any unallowable costs.

NMO Response:

Concur with Intent: The NMO will review each of the instances cited by the OIG and make a determination on the allowability of the costs involved. The NMO will recover any costs determined to be unallowable.

Estimated date of completion for all actions is November 30, 1998.



Dr. Robert A. Parker

Appendix F

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Appendix F

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