

Final Memorandum on the Review of Unallowable Costs Charged to NASA/Marshall Space Flight Center Contracts, December 20, 2005

The NASA Office of Inspector General (OIG) conducted a review of a contractor's lease to determine whether the contractor was charging unallowable costs to three contracts at Marshall Space Flight Center.

We found that because the contractor did not include Facilities Capital Cost of Money (COM) in its proposals to NASA, those costs were considered unallowable. Specifically, Federal Acquisition Regulation (FAR) 15.408, "Solicitation Provisions and Contract Clauses," notes that "If the prospective contractor does not propose facilities capital cost of money in its offer, the contracting officer shall insert the clause at 52.215-17, Waiver of Facilities Capital Cost of Money, in the resulting contract." That clause states: "The Contractor did not include facilities capital cost of money as a proposed cost of this contract. Therefore, it is an unallowable cost under this contract." This clause was included in each of the three contracts.

Our analysis of the lease costs charged to the three contracts determined that the contractor charged \$253,000 in unallowable Facilities Capital COM from the beginning of 1997 through early 2003. During that same period, associated general and administrative costs of roughly \$80,000 were also improperly applied to the contracts. Applied interest on those amounts totals \$118,000. We recommended that the Center's Procurement Officer pursue recovery of those amounts from the contractor. Management concurred with our recommendation and issued a "Notice of Intent to Disallow Costs" to the contractor in 2006.

*The memorandum contains privileged/proprietary commercial or financial information that is not routinely released under the Freedom of Information Act (FOIA). To submit a FOIA request, see the [online guide](#).*