

NASA

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Office of Inspector General

Office of Audits

NASA'S COMPLIANCE WITH THE IMPROPER PAYMENTS INFORMATION ACT FOR FISCAL YEAR 2015

May 12, 2016

Report No. IG-16-021





Office of Inspector General

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NASA Office of Inspector General
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RESULTS IN BRIEF

NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2015

May 12, 2016

IG-16-021 (A-16-003-00)

WHY WE PERFORMED THIS AUDIT

In fiscal year (FY) 2015, the Federal Government made an estimated \$137 billion in improper payments to individuals, organizations, and contractors, an increase of approximately \$12 billion from FY 2014. An improper payment is any payment that should not have been made or was made in an incorrect amount. Improper payments may include payments made to an ineligible recipient or for ineligible goods or services, duplicate payments, payments in an incorrect amount (overpayments or underpayments), payments that lack adequate supporting documentation, or payments for goods and services the agency did not receive.

To help reduce improper payments, the Improper Payments Information Act of 2002 requires heads of Federal agencies to annually identify programs and activities susceptible to improper payments and report information about those payments. In addition, agency Inspectors General are required annually to evaluate whether their agencies comply with the Act's requirements.

Our objective in this audit was to determine whether NASA complied with the Act in FY 2015. We also evaluated the accuracy and completeness of the Agency's reporting and its implementation of recommendations we made in prior reports examining the Agency's compliance. To conduct this review, we examined applicable laws and regulations, interviewed Agency personnel, and reviewed NASA's Agency Financial Report and supporting documentation.

WHAT WE FOUND

NASA met all applicable Office of Management and Budget (OMB) criteria and complied with the Act for FY 2015. However, as discussed in our previous reports, we continue to believe the Agency can improve its risk assessment process to increase the likelihood of identifying improper payments.

First, NASA should assign greater weight to the risk condition "External Monitoring and Assessments," the only condition that considers independent and objective assessments of program performance by our office and the Government Accountability Office. Second, NASA considered only the risk factors listed in the Act and OMB guidance, discounting other relevant factors such as the substantial backlog of incurred cost audits, which assess costs contractors charge to the Government and are a key control for detecting improper payments. Third, NASA continued to limit its annual payment recapture audits to fixed-price contracts, which have a lower risk of improper payments than cost-type contracts, grants, or cooperative agreements. By doing so, NASA increased the risk improper payments may go undetected. Finally, although NASA included the required information on its recapture audit efforts in its FY 2015 Agency Financial Report, we continue to find inaccuracies in the Agency's reporting.

WHAT WE RECOMMENDED

To improve NASA's risk assessment process and the accuracy and completeness of its reporting, we made five recommendations to the Chief Financial Officer: (1) revisit the risk condition weighted percentages to better reflect their relevance and significance and document the rationale for the percentages assigned, (2) incorporate a risk factor that considers the timeliness of incurred cost audits, (3) develop written policies and procedures detailing the process for reporting overpayments identified and recaptured from sources outside of payment recapture audits, (4) disseminate the appropriate system query logic to identify potential overpayments and train the affected organizations or individuals to execute the query and analyze the results, and (5) obtain management decision letters issued by contracting officers to identify potential overpayments and report any overpayments determined to be improper in the Agency Financial Report.

NASA management concurred or partially concurred with our recommendations and proposed corrective actions. We find the actions responsive to recommendations 3, 4, and 5 and therefore these recommendations are resolved and will be closed upon verification of the proposed corrective actions. For recommendations 1 and 2, we find the Agency's proposed actions insufficient and consider the recommendations unresolved pending further discussions with NASA officials.

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Acronyms

AFR	Agency Financial Report
DCAA	Defense Contract Audit Agency
DRAA	Disaster Relief Appropriations Act
FY	Fiscal Year
GAO	Government Accountability Office
IPERA	Improper Payments Elimination and Recovery Act of 2010
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
NSSC	NASA Shared Services Center
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget

INTRODUCTION

Each year the Federal Government makes billions of dollars in improper payments to individuals, organizations, and contractors, including a reported \$137 billion in fiscal year (FY) 2015 – an increase of approximately \$12 billion from the FY 2014 estimate of \$125 billion.¹

The Improper Payments Information Act of 2002 (IPIA) requires the heads of Federal agencies annually to identify programs and activities susceptible to improper payments and estimate the amount of improper payments made by their agencies. The Act also requires them to report the estimates and any planned actions to reduce improper payments in programs with estimates greater than \$10 million that exceed a specific percentage of disbursements.

The Improper Payments Elimination and Recovery Act of 2010 (IPERA) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) amended IPIA to (1) expand its scope beyond commercial payments to encompass payments made in connection with grants and cooperative agreements, employee disbursements, and Government charge cards; (2) require Federal agencies to report information on improper payments annually to the President and Congress; (3) require agencies to conduct payment recapture audits for each program and activity with at least \$1 million in annual program outlays when it is cost effective to do so; and (4) require agency Inspectors General to determine whether their agencies comply with IPIA requirements.² Inspectors General may also evaluate the accuracy and completeness of agency reporting and performance in reducing and recapturing improper payments.³

Our overall objective was to determine whether NASA complied with the requirements of IPIA in FY 2015. We also evaluated the completeness and accuracy of the Agency's IPIA reporting and its implementation of recommendations made in our prior IPIA reports. See Appendix A for details of the audit's scope and methodology.

Background

The Office of Management and Budget (OMB) issued implementing guidance for IPIA which defines an improper payment as “any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.” Improper payments may include payments made to an ineligible recipient or for ineligible goods or services, duplicate payments, payments in an incorrect amount (overpayments or underpayments),

¹ Government Accountability Office, “U.S. Government's Fiscal Years 2015 and 2014 Consolidated Financial Statements” (GAO-16-357R, February 25, 2016).

² Unless otherwise noted, use of the term IPIA refers to IPIA as amended by IPERA and IPERIA.

³ The Disaster Relief Appropriations Act (DRAA), which provided aid for Hurricane Sandy disaster victims and affected communities, requires agencies to consider all programs and activities receiving DRAA funds susceptible to significant improper payments for the purposes of IPIA. NASA received \$15 million in DRAA funding for damages sustained at the Wallops Flight Facility in Virginia and Kennedy Space Center in Florida. It tested a sample of these funds in accordance with DRAA and identified no improper payments.

payments that lack adequate supporting documentation, or payments for goods and services the agency did not receive.⁴

According to OMB, to comply with IPIA an agency must

1. publish and post on its website an agency financial report (AFR),
2. conduct a program-specific risk assessment for each program or activity,
3. publish improper payment estimates for all programs and activities the risk assessment identifies as susceptible to significant improper payments,
4. publish corrective action plans in its AFR,
5. publish and meet annual reduction targets for each program assessed to be at risk, and
6. report a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR.

Prior Office of Inspector General Reviews of NASA's Compliance with IPIA

As required, the NASA Office of Inspector General (OIG) has assessed the Agency's compliance with IPIA each year since FY 2011. In each of the last 4 years, we reported NASA complied with the requirements of the statute but noted areas for improvement and made corresponding recommendations to NASA management.⁵ Our recommendations focused primarily on the Agency's methodology for performing its risk assessment, the scope of recapture audit efforts, and the reporting of improper and recaptured payments. In response to our recommendations, NASA agreed to analyze and modify its risk assessment methodology, increase the scope of testing, improve its reporting process, and analyze the scope of recapture audit efforts. We closed recommendations when the associated corrective actions were completed and verified. For recommendations that were still open when our subsequent year's report was complete, we closed the recommendations and incorporated them into a new or refined recommendation in our subsequent report. In a change from that pattern, we are not closing recommendations from our 2014 report that require further corrective action. Rather, those recommendations will remain open until the Agency satisfies the intent of each recommendation. See Appendix B for the status of our 2014 recommendations.

⁴ OMB, "Appendix C to Circular A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*" (M-15-02, October 20, 2014). Hereafter "OMB guidance" refers to OMB M-15-02, unless noted otherwise.

⁵ NASA OIG, "NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2014" (IG-15-015, May 15, 2015); "NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2013" (IG-14-016, April 15, 2014); "NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2012" (IG-13-011, March 14, 2013); and "NASA's Efforts to Identify, Report, and Recapture Improper Payments" (IG-12-015, May 1, 2012).

NASA's FY 2015 Processes to Estimate and Recover Improper Payments

As in prior years, the Quality Assurance Division of NASA's Office of the Chief Financial Officer (OCFO) was responsible for ensuring compliance with IPIA and overseeing and reporting on the Agency's recapture audit program. OCFO contracted with an outside company to conduct a risk assessment and estimate improper payments and with a second company to perform payment recapture audits.

Assessing Risk and Estimating Improper Payments

To conduct the risk assessment, the contractor reviewed FY 2014 disbursements recorded in NASA's financial management system and identified 112 unique programs. The contractor compared the 112 programs to the Agency's approved budget and based on that analysis combined some programs to bring the total number of unique programs to 91.⁶ The contractor analyzed the 91 programs for risk of improper payments.

As the first step in the risk assessment process, NASA identified seven risk conditions and weighted those conditions based on relevance and significance using a 100-point scale (see Table 1). The risk conditions included the minimum risk factors specified by OMB. Appendix C features a complete list of the OMB-required risk factors.

Table 1: Risk Conditions and Weighted Percentages

Risk Condition	Weighted Percentage
Internal Control over Payment Processing	30%
Payment Profile	20%
Dollar/Materiality of Disbursements	15%
Human Capital Risk	10%
Internal Monitoring and Assessments	10%
Program Profile	10%
External Monitoring and Assessments	5%

Source: NASA, "Fiscal Year 2015 NASA Improper Payment Program: Risk Assessment Methodology and Report" (October 21, 2015).

NASA developed specific questions for each risk condition and scoring criteria that assigned a risk rating to each question. It assigned a risk rating of 1 (low), 3 (medium), or 5 (high) to each question based on a review of various evidence. The risk condition-level rating corresponded to the highest numerical rating given to the questions for that condition. The Agency computed an overall risk score for each program based on the weighted average of all risk condition ratings. If a program had an overall risk score of 3.33 or higher, it was considered susceptible to significant improper payments and therefore subject to testing on a statistical basis to estimate the amount of improper payments made. None of NASA's programs reached the 3.33 threshold, and therefore the Agency did not test the programs for improper payments.⁷

⁶ The contractor combined 17 programs within the Institutions and Management mission, 5 programs within the Education mission, and the Commercial Crew and Commercial Cargo programs to form 3 consolidated programs.

⁷ As noted, NASA tested its DRAA funds as required by the statute.

Payment Recapture Audits

NASA's recapture audit contractor annually audits the Agency's prior fiscal year disbursements to vendors under fixed-priced contracts.⁸ These audits review the Agency's payment transactions and supporting documents and are designed to identify overpayments to contractors that result from payment errors.

For FY 2015, the contractor tested approximately \$7.66 billion of NASA disbursements. The contractor utilized a multidisciplinary approach to identify potential overpayments, including data analytics and analyst review. In addition, the contractor sent letters to selected vendors requesting account statements, which the contractor used to identify unused credits and other payment errors. The contractor identified potential overpayments, which the appropriate Center OCFO researched to confirm whether an overpayment had actually occurred. In total, the Centers confirmed overpayments totaling \$138,283. The NASA Shared Services Center (NSSC) was responsible for billing and collecting the overpayments.

For FY 2015 reporting, NASA changed its method for reporting recaptured overpayments. In prior years, the Agency reported amounts collected in the same year the disbursements were subject to audit (e.g., amounts disbursed and collected in FY 2014). However, the amount reported in the FY 2015 AFR included funds collected both in FY 2014 and FY 2015. We understand that NASA plans to revert to its prior reporting methodology next year.

⁸ Because the process to confirm potential overpayments of FY 2013 disbursements was not completed before FY 2014 reporting, NASA combined those results in the FY 2015 AFR.

NASA COMPLIED WITH IPIA IN FY 2015

Based on our review of NASA's FY 2015 AFR, website, and risk assessment, we concluded NASA met all applicable OMB criteria and complied with IPIA for FY 2015.⁹ See Table 2.

Table 2: IPIA Compliance Summary

Criteria for Compliance	Criteria Met?
Published and posted on Agency website its FY 2015 AFR	Yes
Conducted program-specific risk assessments	Yes
Published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment	Yes
Published programmatic corrective action plans in the AFR	N/A
Published, and is meeting, annual reduction targets for each program assessed to be at risk and measured for improper payments	Yes
Reported a gross improper payment rate of less than 10 percent for each program or activity for which an improper payment estimate was obtained and published in the AFR	Yes

Source: NASA OIG.

Note: N/A – The criteria is not applicable because NASA did not identify any improper payments during testing.

⁹ See: <http://www.nasa.gov/news/budget/index.html> (last accessed, March 1, 2016).

NASA CAN IMPROVE ITS RISK ASSESSMENT PROCESS

Although NASA complied with IPFA, we continue to believe the Agency can improve its risk assessment process. Specifically, NASA should adjust the weighted percentages it assigns to its risk conditions. In addition, as we have recommended in prior years, the Agency should consider the substantial backlog of incurred cost audits when assessing the risk that its programs may be susceptible to significant improper payments.¹⁰

Adjustment of Risk Condition Weighted Percentages

NASA judgmentally assigned weight to its risk conditions based on a 100-point scale. As reflected in Table 1, the percentages for each risk condition varied between 5 and 30 percent, with the “External Monitoring and Assessments” condition receiving the lowest percentage of 5. We believe this condition deserved greater weight and that increasing it would provide NASA with a more accurate assessment of whether its programs are susceptible to significant improper payments.

Independent audits, reviews, and investigations conducted by the OIG and the Government Accountability Office (GAO) may identify potential or actual improper payments. The External Monitoring and Assessments risk condition is designed to incorporate the findings of these assessments and is the only condition that considers independent and objective assessments of program performance. Accordingly, we believe the condition deserves a risk percentage that reflects its relevance and significance. OCFO officials told us the weights assigned to each risk condition were based on NASA’s environment; however, a documented rationale was not provided.

For FY 2015, NASA assigned five programs a risk rating of 5 (high) for the External Monitoring and Assessments risk condition because of identified improper payments and/or significant findings and recommendations related to payment processing in various independent reviews. However, as shown in Table 3, none of these programs were subjected to improper payment testing because their overall risk rating did not reach NASA’s 3.33 threshold.

¹⁰ Incurred cost audits assess whether costs contractors charge the Government are properly applied to the contracts, sufficiently supported, and allowable, and are a key control for detecting improper payments.

Table 3: NASA Programs with an External Monitoring and Assessments High Risk Rating

Program	Overall Weighted Risk Rating
Commercial Crew and Commercial Cargo	2.80
Cosmic Origins	2.80
James Webb Space Telescope	2.80
Small Business Innovative Research/Small Business Technology Transfer Resources	3.00
Institutional Construction of Facilities – Construction and Environmental Compliance and Restoration	3.20

Source: NASA.

To determine the effect a higher weighted percentage for the External Monitoring and Assessments risk condition would have on these five programs, we judgmentally reduced the weighted percentages assigned to the Internal Control over Payment Processing and Payment Profile risk conditions by 10 percent each and added those 20 percentage points to the External Monitoring and Assessments percentage, increasing its weight to 25 percent. Table 4 illustrates our scenario.

Table 4: Risk Conditions and Weighted Percentages (Adjusted)

Risk Condition	NASA's Weighted Percentage	NASA OIG's Adjusted Percentage Scenario
Internal Control over Payment Processing	30%	20%
Payment Profile	20%	10%
Dollar/Materiality of Disbursements	15%	15%
Human Capital Risk	10%	10%
Internal Monitoring and Assessments	10%	10%
Program Profile	10%	10%
External Monitoring and Assessments	5%	25%

Source: NASA OIG.

Under our scenario, the overall ratings for NASA's Small Business Innovative Research/Small Business Technology Transfer Resources and Institutional Construction of Facilities programs increase to 3.40 (high) and therefore trigger the requirement for improper payment testing.¹¹ The weighted risk rating for the other three programs increases to 3.20, just under the "high" threshold.

¹¹ The Small Business Innovative Research/Small Business Technology Transfer Resources program, which awards funds to small businesses, has presented an ongoing challenge to NASA over the years. The OIG continues to investigate allegations of fraud by award recipients and has referenced the program in its annual memorandum discussing the top management challenges facing NASA for several years.

Timeliness of Incurred Cost Audits

NASA's FY 2015 risk assessment considered only the risk factors listed in the statute and OMB guidance. In so doing, NASA did not consider the substantial backlog of incurred cost audits. Although both the statute and the guidance describe the basic risk factors agencies should consider, they also provide that agencies should consider any risk factors likely to contribute to significant improper payments.

Incurred cost audits assess whether costs contractors charge the Government are properly applied to the contracts and sufficiently supported and allowable and are a key control for detecting improper payments. NASA's contracting officers rely almost exclusively on such audits to identify unallowable, unreasonable, and unallocable costs. Until November 25, 2015, the Defense Contract Audit Agency (DCAA) performed incurred cost audits for NASA under a reimbursable agreement. However, the National Defense Authorization Act for FY 2016 prohibits DCAA from performing audit services for non-Department of Defense (civilian) agencies until it reduces its audit backlog.¹² As such, incurred cost audits of NASA-only contractors have not been performed since that time.¹³ Moreover, even before passage of the law DCAA was substantially behind in its audit work with a 6-year backlog, including 1,153 proposals related to NASA contracts. In addition, DCAA had changed its methodology for selecting contracts for audit, which resulted in fewer NASA contracts being reviewed.¹⁴

NASA is in the process of procuring commercial contract audit services and hopes to have a contract in place by the end of FY 2016. Until such time, there is an increased risk that improper payments will not be identified in a timely manner. Similar to the prior year, NASA did not consider this issue as part of its risk assessment even though the Agency agreed to last year's recommendation to include such analysis in this year's effort. Accordingly, the recommendation from our 2014 audit that NASA incorporate a risk factor that considers the timeliness of DCAA contract audits when assessing the risk of programs susceptible to significant improper payments (recommendation 2) will remain open, and we are recommending additional corrective actions in this report.

¹² National Defense Authorization Act for FY 2016, Pub. L. No. 114-92 (November 25, 2015).

¹³ DCAA may audit NASA's direct costs in cases where a contractor has a mix of Department of Defense and NASA contracts and it deems the extra effort of performing the work "de minimus." According to DCAA, an effort is "de minimus" if it takes very little additional effort.

¹⁴ NASA OIG, "Costs Incurred on NASA's Cost-Type Contracts," (IG-15-010, December 17, 2014).

SCOPE OF NASA'S RECAPTURE EFFORTS LIMITED

Consistent with our findings in prior years, NASA continued to limit its annual payment recapture audits to fixed-price contracts and exclude cost-type contracts, grants, and cooperative agreements. In addition, as in the past we found lacking NASA's documentation of the reasons for this decision.

Exclusion of Cost-Type Contracts

As we have reported for the last 4 years, NASA continued to exclude cost-type contracts from its payment recapture audits and instead focused exclusively on fixed-price contracts, even though fixed-price contracts typically have the lowest risk of improper payments because they are generally not subject to cost fluctuations.

OMB guidance permits agencies to exclude certain programs and activities from their recapture audit program if they determine inclusion would not be cost-effective. Agencies must notify OMB and their Inspector General of this decision and provide an analysis supporting the decision. For the last several years, NASA has asserted that inclusion of cost-type contracts in recapture audits was not cost-effective because DCAA audits these contracts and additional audits would be duplicative. However, NASA has provided no analysis to support this assertion.

OMB guidance states that "payment recapture auditing activities *should not duplicate other audits of the same (recipient or agency) records that specifically employ payment recapture audit techniques* [emphasis added] to identify and recapture overpayments." In our view, DCAA audits do not duplicate recapture audits. Furthermore, DCAA itself has informed NASA that it does not perform payment recapture audit services. Rather, DCAA performs post-award audits that examine the accounting and financial records of payment recipients to determine if amounts claimed comply with the terms of the award or contract and applicable laws and regulations. In contrast, in a payment recapture audit the auditor reviews an agency or program's accounting and financial records, supporting documentation, and other pertinent information to identify potential overpayments. We believe this difference supports our contention that the inclusion of cost-type contracts in NASA's recapture audit efforts would not be duplicative of DCAA's efforts.

As an additional reason to exclude cost-type contracts, NASA has asserted that the results of prior years' improper payment testing, which included tests of disbursements on cost-type contracts, did not yield any significant improper payments. However, IPIA testing and payment recapture audits are not the same, and the results of IPIA testing do not necessarily equate to evidence that exclusion of cost-type contracts from recapture audits is appropriate. As explained in OMB guidance, for IPIA testing an agency evaluates a small number of payments in a program or activity to determine if they were improper. In contrast, payment recapture audits are not statistical samples but targeted examinations of high-risk payments.

In response to our FY 2014 recommendation that NASA include cost-type contract payments in its recapture audit efforts and document its justification if inclusion is not deemed cost effective (recommendation 5), the Agency stated that it would ensure appropriate coverage over the universe of

payments and would provide documentation for payment types excluded from recapture audits. In February 2016, NASA provided us with the results from a testing sample of 45 FY 2014 disbursements on cost-type contracts performed by its IPIA contractor. While the sample identified no exceptions or improper payments, the OCFO did not provide an analysis of how these results or other factors justified excluding cost-type contracts from NASA's recapture audit efforts.

Our analysis of NASA's collections of overpayments outside of its recapture audit, which is discussed in further detail later in this report, noted the Agency collected \$4.5 million in overpayments on cost-type contracts in 2014. Again, we believe this underscores our position that NASA can identify and recover improper payments if it conducts recapture audits on its cost-type contracts. Based on these results, we are leaving open our recommendation from last year until the OCFO includes cost-type contract payments in the Agency's recapture audit efforts or justifies excluding these payments and demonstrates that recapture audits for them would not be a cost-effective method for identifying improper payments.

Documentation and Notification of Exclusion of Grants and Cooperative Agreements

As in past years, NASA continued to exclude grants and cooperative agreements from payment recapture audits, asserting that recapture audits for these vehicles would not be a cost-effective method for identifying improper payments. Although NASA has not provided OMB with its decision or the full supporting analysis, unlike in prior years it disclosed the exclusion in the Agency's FY 2015 AFR. NASA stated it would not be cost-effective to include these vehicles as the associated payments are made through its centralized "procure-to-pay" process, which it believes provides reasonable assurance of proper payment.

Although we received written notification of NASA's decision to exclude grants and cooperative agreements from its recapture audits for the FY 2013 reporting period, we found the justification unpersuasive. NASA stated only that grants and cooperative agreements were included in the sample of payments tested under its IPIA testing for FY 2012 and that no improper payments had been identified.

In response to our FY 2014 recommendation that NASA develop a comprehensive analysis and justification for the Agency's determination that inclusion of grants and cooperative agreements in recapture audit efforts is not cost-effective (recommendation 6), the Agency stated it would ensure appropriate coverage over the universe of payments and provide documentation for excluded payment types. However, NASA did not provide any such documentation or analysis. Accordingly, we are leaving open our recommendation until the OCFO develops and provides OMB and the OIG a comprehensive analysis and justification for excluding the agreements from recapture audit efforts.

INACCURACIES IN NASA'S ANNUAL REPORTING

Although NASA included the required information on its recapture audit efforts in its FY 2015 AFR, we noted inaccuracies in the tables reporting overpayments recaptured through payment recapture audits and overpayments recaptured outside of payment recapture audits. Additionally, not all overpayments recaptured outside of payment recapture audits were reported. We noted similar errors in NASA's reporting the past 4 years.

Inaccurate Reporting of the Payment Recapture Tables

OMB guidance requires agencies to include specific information regarding improper payments and the recapture of such payments in their AFRs.¹⁵ Much of the information is reported in table format and includes data on payment recapture audit efforts, the disposition of cumulative amounts recovered, and improper payments identified and recovered through sources other than payment recapture audits.

Overpayments Recaptured Through Payment Recapture Audits

The "Overpayments Recaptured through Payment Recapture Audits" table summarizes the results of NASA's payment recapture audit.¹⁶ For each payment type within the audit's scope, the table reflects the amount of overpayments identified and recaptured for the reporting period, as well as the recapture rate for the current year and the targeted rates for the 2 following years. In the FY 2015 AFR, the reporting period was defined as FYs 2013 and 2014 for identified overpayments and FYs 2014 and 2015 for recaptured overpayments.¹⁷

NASA identified \$138,283 of overpayments. We believe this is an understatement of \$4,183, and the correct amount is \$142,466. The error resulted from the mistaken identification of an overpayment as pertaining to a cost-type rather than a fixed-price contract. Because the scope of NASA's payment recapture audit is limited to fixed-priced contracts, NASA did not report this payment. Table 5 shows that although this missed payment would not have changed the overall number reported in the AFR, which is rounded to the nearest million, the current year recapture rate would have decreased to 90 percent and the amount outstanding would have increased from \$0.01 to \$0.02 million had the payment been included.¹⁸

¹⁵ OMB Circular A-136, "Financial Reporting Requirements" (August 4, 2015).

¹⁶ The "Improper Payment Recaptures with and without Audit Programs (A-136 Table 4)" table in NASA's FY 2015 AFR includes information on overpayments recaptured from both recapture audits and other sources.

¹⁷ NASA's reporting period was a 2-year period because the payment recapture audit efforts in FY 2014 were not completed in sufficient time for inclusion in NASA's FY 2014 AFR.

¹⁸ The understatement of \$4,183 in the "Overpayments Recaptured through Payment Recapture Audits" table resulted in a corresponding understatement of the amounts outstanding 0 to 6 months in the "Aging of Outstanding Overpayments Identified in the Payment Recapture Audits" table since NASA did not collect this amount.

Table 5: Impact on Omission of Overpayment Identified Through Recapture Audit

AFR Line Item	Per AFR Support	Per AFR (in millions)	Actual	Actual (in millions)	Variance
Fixed Price Contracts – Contracts and Total – Amount Identified FY 2013 and FY 2014	\$138,283	\$0.14	\$142,466	\$0.14	(\$4,183)
Fixed Price Contracts – Contracts – Current Year Recapture Rate	93%		90%		3%
Amount Outstanding (0–6 months)	\$14,231	\$0.01	\$18,414	\$0.02	(\$4,183)

Source: NASA OIG analysis of NASA data.

Given that we continue to identify inaccuracies in the reported amounts for overpayments identified and recaptured from payment recapture audits, we are leaving open our 2014 recommendation relating to this issue (recommendation 7).

Overpayments Recaptured Outside of Payment Recapture Audits

OMB requires agencies to report on improper payments identified and recovered from sources other than payment recapture audits. Possible sources of this information include statistical samples conducted under IPIA, agency post-payment reviews and audits, OIG audits and investigations, GAO reports, Single Audit reports, self-reported overpayments, and reports from the public.¹⁹

To collect the required information, OCFO sent a data call to various offices, including the Center OCFOs, the OIG, NSSC, the Agency Office of Procurement, and DCAA inquiring “whether there are any payment recapture activities or other recovery actions that you performed (over and above the OCFO recapture audit) which occurred during fiscal year (FY) 2014 and amounts recovered, if any.”²⁰ The recipients were instructed to include overpayments related to, but not limited to, travel, payroll, civil actions, and contract or vendor payments identified and recovered during FY 2014. Although a reporting template was attached to the data call, the template did not instruct respondents to provide grand totals for the overpayments identified and recovered or identify the reporting category or type of procurement. Rather, OCFO totaled the amounts provided and made the reporting category determinations, when necessary. Further, OCFO personnel told us their review of the data focused primarily on ensuring overpayments reported by the OIG’s Office of Investigations were not also reported by the Centers and ensuring there was sufficient data to permit reporting category determinations to be made. OCFO stated that the responsibility for ensuring the accuracy, including completeness, of the data resided with the reporting office.

¹⁹ The Single Audit Act, as amended, provides audit requirements for recipients (State, local, and tribal governments, and colleges, universities, and other non-profit organizations) of Federal awards. A single audit is intended to provide a cost-effective audit for recipients as one audit is conducted in lieu of multiple audits of individual programs.

²⁰ The responses received were then used to complete the portion of the table in the FY 2015 AFR for “Overpayments Recaptured Outside of Payment Recapture Audits.”

Because no respondents provided the type of procurement in their overpayment descriptions, OCFO categorized all procurement overpayments as associated with fixed-priced contracts. However, we found that an overwhelming majority of the overpayments were associated with cost-type contracts (see Table 6).²¹

Table 6: Inaccuracies Reporting Overpayments Outside of Recapture Audits

Type of Payment Category	Per AFR	Actual	Over/(Under) Statement
Fixed-Price Contracts – Identified	\$5,096,855	\$554,434 ^a	\$4,542,421
Fixed-Price Contracts – Recaptured	4,794,836	252,415	4,542,421
Cost-Type Contracts – Identified	-	4,528,196	(4,528,196)
Cost-Type Contracts – Recaptured	-	4,528,196	(4,528,196)
Grants – Identified	-	10,239	(10,239)
Grants – Recaptured	-	10,239	(10,239)

Source: NASA OIG analysis of NASA data.

^a This amount includes the \$306,603 we were not able to identify.

While reviewing the procurement transactions, other inaccuracies came to our attention. Specifically, some overpayments were reported as procurement-related when their description indicated they were payroll or travel transactions (\$1,320) and others were counted in the total twice (\$2,665). Although the reporting period was FY 2014 for both identified and recaptured overpayments from other sources, one respondent reported \$2,815 in payroll overpayments identified in FY 2014 but recaptured in FY 2015. In addition, a formula error in OCFO’s spreadsheet compiling and summarizing the amounts reported by the various offices resulted in the total amount for overpayments recaptured being overstated by \$32,224 for the payroll and other categories.

We found OCFO has not documented the policies and procedures for reporting on the overpayments identified and recaptured from sources other than payment recapture audits. Rather, most of the guidance and direction is provided verbally through an annual teleconference. We believe the lack of documented instruction has resulted in unclear expectations, confusion, and inconsistency among respondents, which in turn contributed to the inaccuracies we noted.

Given that we continue to find inaccuracies in the reported amounts for overpayments identified and recaptured from sources other than payment recapture audits, we are leaving open the associated recommendations from our 2014 report (recommendations 7, 9, and 10) and recommending additional corrective actions.

²¹ We were unable to determine the procurement type for 14 procurement transactions totaling \$306,603.

Incomplete Reporting of Overpayments Recaptured Outside of Payment Recapture Audits

As discussed, NASA is required to report in its AFR improper payments identified and recovered through sources other than payment recapture audits. We tested whether NASA's reporting process captured all such payments and identified indications that some payments may not have been reported.

Center-Identified Overpayments

In response to OCFO's 2014 data call, only Glenn Research Center (Glenn) and Langley Research Center (Langley) reported overpayments. Both Centers identified the overpayments by querying NASA's financial management system using specific parameters chosen by Center personnel. Because Glenn personnel believed that only collected payments were to be reported, the Center's query was designed to reflect only such overpayments.

For the FY 2015 submissions, OCFO directed the Centers to run the system query Glenn used in 2014. OCFO officials decided to use Glenn's query because they believed it would be simple to follow and comprehensive. However, because the query did not identify outstanding overpayments such overpayments may have existed but not been reported.

Another indicator that overpayments may have been missed comes from NSSC's monthly Agency Domestic Travel Audit Metrics Reports, which reflect travel-related overpayments identified at NASA Headquarters and the Centers. Although three Centers – Glenn, Goddard Space Flight Center, and Langley – reported having recaptured travel funds in response to the 2015 data call, their figures did not include all travel overpayments identified by NSSC in the monthly metrics reports. While the other Centers and Headquarters did not report any travel overpayments identified or collected, a few told us they assumed that either NSSC or Headquarters would report the data from the travel reports. However, during a teleconference with data call recipients, OCFO did not discuss which entity was responsible for reporting the overpayments from the travel reports.

Sustained Questioned Costs from Contract Audits

DCAA incurred cost audits are another potential source of overpayments identified and recaptured other than from recapture audits. In FY 2014, DCAA identified and NASA contracting offices confirmed approximately \$41 million in questioned costs.²² We recognize not all questioned costs identified in these reports equate to overpayments. Nevertheless, such items as direct costs inappropriately charged and subsequently repaid or offset against future billings would qualify.

²² When DCAA identifies questioned costs, the Government contracting officer with cognizant responsibility – normally the officer from the agency with the largest dollar amount of associated contracts – is responsible for deciding whether management agrees with the auditor's conclusion. With respect to NASA contracts, the Defense Contract Management Agency or NASA is the cognizant agency. If management sustains the questioned cost, then the contracting officer works with the vendor to offset the costs against further billings or recoup the funds.

The OCFO relies on the Center OCFOs to coordinate with Center procurement officials and produce a combined response to the data call. However, since OCFO began requesting payment recapture information from other sources, no Center has reported an overpayment identified as a result of a contract audit. Further, DCAA has consistently reported that it is not involved in recapture audit activities and thus does not provide improper payment information in response to the data call.

In response to our FY 2014 recommendation that NASA revisit its existing process to obtain and report on overpayments identified and recaptured from sources other than the recapture audit (recommendation 10), NASA stated it would continue to enhance awareness and knowledge of the reporting requirements and work to ensure communication is timely and more frequent during the year. NASA believes the corrective actions it has taken satisfy the intent of this recommendation. However, based on our evaluation of NASA's efforts to identify and report overpayments recaptured outside of recapture audits for FY 2015, opportunities for improvement remain. Accordingly, we are leaving open recommendation 10 and recommending additional corrective actions in this report.

CONCLUSION

Based on our review of the FY 2015 AFR and supporting documentation, we concluded NASA complied with IPIA. However, similar to findings in prior years, NASA can improve its risk assessment process and expand the scope of its recapture audit program. We believe taking these actions would provide a more robust picture of the scope of potential improper payments at the Agency. We also found NASA continues to make errors in its AFR.

RECOMMENDATIONS, MANAGEMENT'S RESPONSE, AND OUR EVALUATION

To improve NASA's risk assessment process, we made the following recommendations to the Chief Financial Officer:

1. Revisit the percentages assigned to the risk conditions to better reflect their relevance and significance and document the rationale for the percentages assigned.
2. Incorporate a risk factor that considers the timeliness of incurred cost audits.

To improve the accuracy and completeness of NASA's reporting of its payment recapture program efforts, we made the following recommendations to the Chief Financial Officer:

3. Develop written policies and procedures detailing the process for reporting overpayments identified and recaptured from sources outside of payment recapture audits. At a minimum the policy should include the expectations, roles, and responsibilities of all involved parties and clear and descriptive instructions regarding how to identify amounts for reporting.
4. Disseminate the appropriate system query logic to identify potential overpayments and train the affected organizations or individuals to execute the query and analyze the results.
5. Obtain management decision letters issued by contracting officers to identify potential overpayments and report any overpayments determined to be improper in the AFR as overpayments identified from outside of payment recapture audits.

We provided a draft of this report to NASA management, who concurred or partially concurred with our five recommendations and proposed corrective actions. We find management's comments responsive to recommendations 3, 4, and 5 and consider them resolved. We will close the recommendations upon completion and verification of the proposed corrective actions. However, we disagree with management's responses to recommendations 1 and 2; consequently, they will remain unresolved pending further discussions with Agency officials.

The Chief Financial Officer partially concurred with recommendation 1 to revisit the percentages assigned to the risk conditions and document the rationale for the percentages assigned. He stated that although he considers the current percentages appropriate, he will consider revisiting them if external reports identify specific weaknesses related to improper payments. We have concerns with this approach. As discussed in our report, we believe the External Monitoring and Assessments risk condition deserves greater weight and will provide NASA with a more accurate assessment of whether its programs are susceptible to significant improper payments. Furthermore, we question why the Agency would adjust assigned weighted percentages after identifying weaknesses. This could lead to manipulation of the overall risk scores for all programs. Accordingly, we still believe the risk condition weights should be reassessed to better reflect their relevance and significance. As such, recommendation 1 remains unresolved.

The Chief Financial Officer partially concurred with recommendation 2, but disagreed with our finding that the timeliness of the audits increases the risk of not properly identifying potential improper

payments and therefore does not warrant a separate risk factor. As discussed in our report, DCAA has significantly reduced its audit coverage of NASA contracts and until such time that Agency contracts are subject to routine incurred cost audits, we believe there is an increased risk that improper payments will not be identified in a timely manner. Accordingly, we believe NASA should incorporate a risk factor that considers the timeliness of incurred cost audits. As such, recommendation 2 remains unresolved.

Major contributors to this report include, Mark Jenson, Financial Management Directorate Director; Regina Dull, Project Manager; Adrian Dupree, Project Manager; Deirdre Beal; and Bret Skalsky.

If you have questions about this report or wish to comment on the quality or usefulness of this report, contact Laurence Hawkins, Audit Operations and Quality Assurance Director, at 202-358-1543 or laurence.b.hawkins@nasa.gov.

A handwritten signature in black ink, appearing to read "PKMA".

Paul K. Martin
Inspector General

APPENDIX A: SCOPE AND METHODOLOGY

We performed this audit from November 2015 through April 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether NASA complied with IPIA, we reviewed applicable laws and regulations and interviewed various personnel, including, but not limited to, those from OCFO and its contractor responsible for conducting the recapture audit on NASA's behalf. We also reviewed the IPIA section of the AFR, including the part on payment recapture audits, and supporting documentation. Based on our reviews and interviews, we determined whether NASA complied with the requirements of IPIA and evaluated the completeness and accuracy of NASA's reporting of IPIA data and the Agency's implementation of recommendations made by the OIG in its improper payments audit report issued in May 2015.

Federal Laws, Regulations, Policies, and Guidance

We reviewed the following in the course of our audit work:

- Pub. L. No. 114-92, "National Defense Authorization Act for FY 2016"
- Pub. L. No. 113-2, "Disaster Relief Appropriations Act, 2013"
- Pub. L. No. 112-248, "Improper Payments Elimination and Recovery Improvement Act of 2012"
- Pub. L. No. 111-204, "Improper Payments Elimination and Recovery Act of 2010"
- Pub. L. No. 107-300, "Improper Payments Information Act of 2002"
- Executive Order 13520, "Reducing Improper Payments," November 20, 2009
- OMB Circular No. A-136, "Financial Reporting Requirements," August 4, 2015
- OMB Memorandum M-15-02, "Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*," October 20, 2014
- OMB Memorandum M-13-20, "Protecting Privacy while Reducing Improper Payments with the Do Not Pay Initiative," August 16, 2013
- OMB Memorandum M-13-07, "Accountability for Funds Provided by the Disaster Relief Appropriations Act," March 12, 2013
- OMB Memorandum M-12-11, "Reducing Improper Payments through the 'Do Not Pay List,'" April 12, 2012
- NASA Procedural Requirement 9010.3, "Financial Management Internal Control," September 30, 2008
- NASA Procedural Requirement 9050.4, "Cash Management and Improper Payments," September 30, 2008

- NASA OCFO, “Payment Recapture Audit Program Administration Guidance,” (Draft) March 12, 2015
- NASA OCFO, “Procedural Guidance, Improper Payments Information Act and OMB Circular A-123, Appendix C: *Requirements for Effective Measurement and Remediation of Improper Payments*,” November 2012

Use of Computer-Processed Data

We used computer-processed data extracted from NASA’s financial management system that consisted of FYs 2013 and 2014 disbursements used by NASA’s IPIA and recapture audit contractors. In addition, we used NASA’s financial management system to review procurement transactions to determine contract type. Although we did not independently verify the reliability of all this information, we compared it with other available supporting documents to determine data consistency and reasonableness. From these efforts, we believe the information we obtained is sufficiently reliable for this report.

Review of Internal Controls

We reviewed and evaluated the internal controls associated with NASA’s reporting of improper payment information and the Agency’s efforts to reduce and recapture improper payments. We found internal control deficiencies as discussed in this report. Our recommendations, if implemented, should correct the deficiencies we identified.

Prior Coverage

During the last 5 years, the NASA OIG and GAO have issued 15 reports of significant relevance to the subject of this report. Unrestricted reports can be accessed at <http://oig.nasa.gov/audits/reports/> and <http://www.gao.gov>, respectively.

NASA Office of Inspector General

NASA’s Compliance with the Improper Payments Information Act for Fiscal Year 2014 (IG-15-015, May 15, 2015)

NASA’s Compliance with the Improper Payments Information Act for Fiscal Year 2013 (IG-14-016, April 15, 2014)

NASA’s Compliance with the Improper Payments Information Act for Fiscal Year 2012 (IG-13-011, March 14, 2013)

NASA’s Efforts to Identify, Report, and Recapture Improper Payments (IG-12-015, May 1, 2012)

Government Accountability Office

Improper Payments: Government-Wide Estimates and Use of Death Data to Help Prevent Payments to Deceased Individuals (GAO-15-482T, March 16, 2015)

Disaster Relief: Agencies Need to Improve Policies and Procedures for Estimating Improper Payments (GAO-15-209, February 2015)

Improper Payments: Inspector General Reporting of Agency Compliance under the Improper Payments Elimination and Recovery Act (GAO-15-87R, December 9, 2014)

Improper Payments: DOE's Risk Assessments Should Be Strengthened (GAO-15-36, December 2014)

Improper Payments: Government-Wide Estimates and Reduction Strategies (GAO-14-737T, July 9, 2014)

DOD Financial Management: Significant Improvements Needed in Efforts to Address Improper Payment Requirements (GAO-13-227, May 2013)

Improper Payments: Remaining Challenges and Strategies for Governmentwide Reduction Efforts (GAO-12-573T, March 28, 2012)

Improper Payments: Moving Forward with Governmentwide Reduction Strategies (GAO-12-405T, February 7, 2012)

Improper Payments: Recent Efforts to Address Improper Payments and Remaining Challenges (GAO-11-575T, April 15, 2011)

Improper Payments: Status of Fiscal Year 2010 Federal Improper Payments Reporting (GAO-11-443R, March 25, 2011)

Contract Audits: Role in Helping Ensure Effective Oversight and Reducing Improper Payments (GAO-11-331T, February 1, 2011)

APPENDIX B: STATUS OF PRIOR YEAR RECOMMENDATIONS

We reported 10 recommendations in our 2014 audit of NASA's compliance with IPIA. Based on this year's audit, we closed recommendations if corrective actions were completed and verified. However, if additional corrective actions were necessary, the prior year recommendation remains open until evidence is provided that adequately satisfies the intent of the recommendation. Table 7 shows the status of the prior year recommendations.

Table 7: Status of Prior Year Recommendations

Report and Recommendation Number	Recommendation	Status
IG-15-015, recommendation 1	Modify the risk assessment methodology to recognize the differences in payment processes within the programs.	Closed – Methodology used to recognize differences in programs was modified
IG-15-015, recommendation 2	Incorporate a risk factor that considers the timeliness of DCAA's contract audits when assessing the risk of programs susceptible to significant improper payments.	Open
IG-15-015, recommendation 3	Revisit the description of the scoring criteria for all risk factors, particularly the risk factor related to deficiencies in audit reports, to ensure they are clearly defined.	Closed – Description in the scoring criteria for deficiencies in audit reports adequately defined
IG-15-015, recommendation 4	Utilize the Agency's financial management system when researching the program(s) associated with procurement vehicles referenced in audit reports.	Closed – Agency's financial management system utilized
IG-15-015, recommendation 5	Include cost-type contract payments in the Agency's recapture audit efforts. If NASA determines this proposal is not cost-effective, the Chief Financial Officer should document its justification for excluding these payments, including demonstrating that costs associated with recovering the funds are projected to be greater than the amount recovered.	Open
IG-15-015, recommendation 6	Develop a comprehensive analysis and justification for the Agency's determination that inclusion of grants and cooperative agreements in recapture audit efforts is not cost-effective, provide OMB and the OIG the determination and the analysis used to support the determination, and include the required disclosures in the AFR.	Open
IG-15-015, recommendation 7	Strengthen procedures to verify the accuracy of the information in the draft AFR.	Open

Report and Recommendation Number	Recommendation	Status
IG-15-015, recommendation 8	Refine the existing process for completing the recapture audit tables by implementing a procedure to verify that errors noted in prior audits impacting the accuracy and completeness of the data are corrected.	Closed – Errors noted in prior audits were corrected
IG-15-015, recommendation 9	Improve the data collection, review, and reporting processes to ensure the recapture audit tables are accurately completed.	Open
IG-15-015, recommendation 10	<p>Revisit the existing process to obtain and report on overpayments identified and recaptured from sources other than the recapture audit. At a minimum, the process should address</p> <ul style="list-style-type: none"> a. identification of the appropriate universe of other sources of overpayment information; b. determination of the organizations and individuals who possess that information; c. implementation of training, as early as possible in the fiscal year, to those organizations or individuals to ensure they are aware of NASA’s reporting requirements and their responsibility for tracking and communicating the information to OCFO, including specific details of the information to be reported and the format; and d. coordination and continuous communication with those organizations and individuals to ensure accurate and complete information is provided to OCFO. 	Open

Source: NASA OIG.

APPENDIX C: REQUIRED OMB RISK FACTORS

According to OMB guidance, all agencies must institute a systematic method of reviewing all programs and identify programs susceptible to significant improper payments. This is referred to as a risk assessment. OMB guidance requires agencies to take into account the following minimum risk factors likely to contribute to improper payments during the risk assessment:

- whether the program reviewed is new to the agency;
- the complexity of the program reviewed, particularly with respect to determining correct payment amounts;
- the volume of payments made annually;
- whether payments or payment eligibility decisions are made outside of the agency, for example, by a state or local government or a regional Federal office;
- recent major changes in program funding, authorities, practices, or procedures;
- the level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate;
- inherent risks of improper payments due to the nature of agency programs or operations;
- significant deficiencies in the audit reports of the agency, including, but not limited to, the agency Inspector General or GAO audit report findings, or other relevant management findings that might hinder accurate payment certification; and
- results from prior improper payment work.

APPENDIX D: MANAGEMENT'S COMMENTS

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



MAY 11 2016

Reply to Attn of:

Office of the Chief Financial Officer

TO: Assistant Inspector General for Audits

FROM: Chief Financial Officer

SUBJECT: Agency Response to OIG Draft Report, "NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2015" (A1600300)

NASA appreciates the opportunity to review and comment on the Office of Inspector General (OIG) draft report entitled, "NASA's Compliance with the Improper Payments Information Act for Fiscal Year 2015" (A1600300), dated April 15, 2016.

In the draft report, the OIG makes five recommendations addressed to the Chief Financial Officer (CFO) intended to improve NASA's risk assessment process and improve the accuracy and completeness of NASA's reporting of its payment recapture program efforts.

Specifically, the OIG recommends the following:

To improve NASA's risk assessment process, the CFO should:

Recommendation 1: Revisit the percentages assigned to the risk conditions to better reflect their relevance and significance and document the rationale for the percentages assigned.

Management's Response: NASA partially concurs with the OIG's recommendation to revisit the percentages assigned to the risk conditions and to document the rationale for the percentages. NASA feels the current percentages assigned to the risk conditions are appropriately aligned with the design of the Procure-to-Pay internal control environment and operational framework. Through NASA's risk assessment process, we reviewed over 30 external reports and have incorporated any applicable findings on an individual basis to those programs specifically mentioned. We will consider revisiting the procedure in the event that external reports identify a specific weakness as it relates to improper payments such that relevant information about improper payment deficiencies is more fully evaluated against other risk factors.

Estimated Completion Date: May 31, 2017

Recommendation 2: Incorporate a risk factor that considers the timeliness of incurred cost audits.

Management's Response: NASA partially concurs with the OIG's recommendation to consider the incurred cost audits as a source of identification of potential improper payments. NASA does not feel the timeliness of the incurred cost audits increases the risk of not properly identifying potential improper payments and does not warrant an individual risk factor. NASA will collaborate with the Office of Procurement in regard to incurred cost audits and will update the risk assessment, as applicable.

Estimated Completion Date: May 31, 2017

To improve the accuracy and completeness of NASA's reporting of its payment recapture program efforts, the CFO should:

Recommendation 3: Develop written policies and procedures detailing the process for reporting overpayments identified and recaptured from sources outside of payment recapture audits. At a minimum the policy should include the expectations, roles, and responsibilities of all involved parties and clear and descriptive instructions regarding how to identify amounts for reporting.

Management's Response: NASA concurs with the OIG's recommendation to develop written policies and procedures for the process of reporting overpayments identified from sources outside of the recapture audit. To accomplish this task, NASA will develop written guidance to include a process work flow and job aid to help in the understanding and delivery of the necessary reports on payments recaptured outside of the recapture audit.

Estimated Completion Date: May 31, 2017

Recommendation 4: Disseminate the appropriate system query logic to identify potential overpayments and train the affected organizations or individuals to execute the query and analyze the results.

Management's Response: NASA concurs with the OIG's recommendation to disseminate the appropriate system query logic to identify potential overpayments and train the organizations involved in the process. To accomplish this task, NASA will develop a more thorough and consistent data collection sheet derived from SAP with parameters to filter information to perform the necessary analysis and report on overpayments from sources outside of the recapture audit. Additionally, NASA will provide informational update to the affected organizations and deliver accompanying job aids and process flows.

Estimated Completion Date: May 31, 2017

Recommendation 5: Obtain management decision letters issued by contracting officers to identify potential overpayments and report any overpayments determined to be improper in the Agency Financial Report (AFR) as overpayments identified from outside of payment recapture audits.

Management's Response: NASA partially concurs with the OIG's recommendation to obtain management decisions letters from contracting officers as a potential source of identified overpayments outside of the recapture audits. NASA will collaborate with the Office of Procurement regarding management decision letters and work to refine the data call as appropriate.

Estimated Completion Date: May 31, 2017

We have reviewed the draft report, and we have not identified any information that should not be publicly released.

Once again, thank you for the opportunity to review and comment on the subject draft report. If you have any questions or require additional information regarding this response, please contact Kelly Barnes on (202) 358-7334.



David P. Radzanowski

APPENDIX E: REPORT DISTRIBUTION

National Aeronautics and Space Administration

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Senate Committee on Commerce, Science, and Transportation
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House Committee on Appropriations
 Subcommittee on Commerce, Justice, Science, and Related Agencies
House Committee on Oversight and Government Reform
 Subcommittee on Government Operations
House Committee on Science, Space, and Technology
 Subcommittee on Oversight
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(Assignment No. A-16-003-00)