



NASA OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDITS
SUITE 8U71, 300 E ST SW
WASHINGTON, D.C. 20546-0001

April 25, 2019

TO: Eugene L. Tu
Director, Ames Research Center

SUBJECT: Final Memorandum, *Ames Research Center Protective Services Contract* (IG-19-017, A-18-003-01)

The Office of Inspector General (OIG) is assessing NASA's management of security services across the Agency. As part of this audit, we examined four Centers' management of their protective services contracts.¹ While we have not completed the full review, we identified a significant issue at Ames Research Center (Ames) that warrants your immediate attention, namely that contracting officials have not properly administered the Center's protective services contract and this lack of sufficient oversight has resulted in inappropriate and unnecessary costs to the government. We are issuing this memorandum prior to completion of our audit so that NASA management can take timely action to ensure good stewardship of government funds. See Enclosure I for details of the audit's scope and methodology, our review of internal controls, and prior audit coverage.

Background

In July 2015, Ames awarded a contract to American-Paragon Protective Services, LLC for protective services.² The contract provides the Center with security, fire, dispatch, and emergency management services. The Ames protective services contract is a single-award hybrid contract consisting of: (1) a firm-fixed-price (FFP) core requirement, (2) a FFP indefinite-delivery, indefinite-quantity (IDIQ)

¹ The OIG reviewed security management and protective services contracts at Ames Research Center (Ames), Glenn Research Center (Glenn), Johnson Space Center (Johnson), and Kennedy Space Center (Kennedy).

² Fiore Industries, Inc. is the subcontractor on the Ames protective services contract.

requirement, and (3) a time and materials IDIQ requirement with associated contract line item numbers (CLIN) for training, travel, and materials.³

- *FFP core requirement* provides a base cost awarded to the contractor for specific core services, in this case program management and fire services.⁴ The price of a FFP contract is not subject to adjustment on the basis of the contractor’s actual costs in performing the contract services.
- *FFP IDIQ requirement* provides for an indefinite quantity of services or supplies—such as protective services—that the government can request via a task order for a fixed period at a fixed rate in order to meet unique and/or undefined requirements. An agency often uses an IDIQ when it cannot determine the precise services or quantities of supplies that it requires to meet its needs.
- *Time and materials IDIQ requirement with associated CLINs for training, travel, and materials* provides that other direct costs (ODC) are not treated as part of the fixed-price portion of the contract.⁵ Rather, these costs are classified as “cost type” expenses that the agency should validate using supporting documentation provided by the contractor prior to making a payment.

The potential period of performance for the Ames protective services contract is 5 years, from July 2015 through August 2020, and consists of a 1-year base period and four 1-year options. As of November 2018, the contract was in option year 3. If Ames exercises all options, the contract has a maximum potential value of \$148 million—\$46 million for FFP core requirements and \$102 million for IDIQ requirements.⁶ Costs for program management services account for \$3 million of the \$46 million core FFP, while fire services accounts for the remaining \$43 million, or 93 percent of the total core FFP contract value.

Three contracting officers (CO) have been assigned to the contract since Ames awarded it in 2015: the first from July 2015 to August 2017, the second for approximately 2 months after that, and the current CO who assumed the role in October 2017.⁷ The contracting officer representative (COR) assigned to the contract has remained constant since it was first awarded.⁸

³ CLINs provide traceability in the accounting of procured supplies or services (for example, funding for travel or labor hours) by separately identifying each as a line item on a contract.

⁴ The contract performance work statement defines program management as the technical and business functions to plan, implement, track, report, and deliver the required products and services described in the contract.

⁵ An ODC is a cost identified specifically with a final cost objective that is not treated as either a direct material or direct labor cost. Examples of ODCs may include travel, special tooling and test equipment, computer services, consultant services, preservation, and packaging.

⁶ The contract minimum for services and/or supplies ordered under IDIQ CLINs is \$100,000 and the maximum is \$102 million.

⁷ The first two COs left NASA for employment with other federal agencies.

⁸ A CO has the authority to enter into, administer, and/or terminate contracts for the U.S. government. A COR is an individual designated and authorized in writing by the CO to perform specific contract administration or technical functions on contracts or task/delivery orders.

POOR CONTRACT ADMINISTRATION CONTRIBUTES TO UNNECESSARY COSTS

Ames contracting officials did not follow established contract terms or Federal Acquisition Regulations (FAR) and did not maintain required supporting documentation. Specifically, we found that Ames contracting officials (1) assumed additional costs for which the contractor was responsible, (2) paid the contractor two requests for equitable adjustment (REA) without adequate supporting documentation, (3) comingled ODCs with fixed-price costs on the contract, (4) paid the contractor for fire vehicle maintenance services that were already paid for under the FFP portion of the contract, (5) established an in-house fire mechanic program at an additional cost to the government, and (6) have not completed contractor performance assessments in a timely manner.

NASA Inappropriately Assumed Contractor Costs

Core protective service functions at Ames are provided through the FFP portion of the contract. Costs for program management and fire services fall under this portion of the contract and cannot be adjusted. Ames officials overseeing this work are required to submit an annual Contractor Performance Assessment Report (CPAR) to the Contractor Performance Assessment Reporting System—a government-wide information system for processing and collecting contractor performance information. Our review of the 2015 CPAR and 2016 draft Ames protective services CPAR identified several instances in which Ames assumed costs for which the contractor was responsible.⁹ For example, the 2015 CPAR indicated civil servant personnel were completing background investigation adjudications for the contractor, a task the contractor was paid to perform. When we asked if the government received reimbursement from the contractor for the performance of these tasks, the current CO stated he did not have that information, but would request the information from the COR. The 2015 CPAR also stated that high contractor personnel turnover resulted in the need for additional training and background investigative costs. When we asked for an explanation as to why the government was assuming these costs, the amount paid, and whether the government was reimbursed, the CO initially indicated he was reviewing the contract file for substantiating documentation. However, the COR subsequently stated the costs incurred by the government could not be identified without reviewing all monthly expense reports for the contract and speculated that the contractor may be able to provide the information.

The 2016 draft CPAR noted that the subcontractor hired more firefighters, which resulted in additional costs to the government for protective gear. When asked about the costs, the CO stated the government should not have been responsible for the costs associated with the contractor hiring additional firefighters, but was unable to provide documentation quantifying the amount paid. Likewise, the COR estimated that the government incurred \$50,000 in costs for training firefighters and purchasing their protective gear, but was unable to quantify the exact value because Ames did not have the appropriate records to verify the costs. Consequently, we are concerned that because Ames did not adequately track or sufficiently question contractor costs, the government may have paid for costs that are the contractor's responsibility.

⁹ The CPAR provides source selection officials with information on contractor past performance. This information supports best value source selection decisions to reward proven performers. The 2015 CPAR covered the period from September 1, 2015, through August 30, 2016. The 2016 CPAR was in draft format and only covered the period from August 31, 2016, to February 28, 2017. We discuss issues related to the unfinished 2016 CPAR later in this memorandum.

Equitable Adjustments Paid without Adequate Support

In certain situations, the FAR allows for equitable adjustments under a contract.¹⁰ A contractor may submit a REA or “request for equitable adjustment” to the government for payment when unforeseen or unintended changes occur within the contract causing an increase in contract costs such as government modification of the contract, differing site conditions, defective or late-delivered government property, or issuance of a stop work order.

Four REAs have been submitted for the Ames protective services contract—one in the base year and one each in option years 1 through 3. The REAs have been related to changes in negotiated labor rates, overtime, workers’ compensation insurance costs, and the addition of a second Emergency Management Specialist. In May and December 2016, the previous CO approved and NASA paid \$606,282 and \$726,755, respectively, for REAs submitted in the base year and option year 1. In August 2018, the current CO determined the REAs were priced using a cost-estimate and requested the contractor provide the actual, as-performed cost records to substantiate the amounts claimed under the REAs. After reviewing the records submitted, the CO informed the contractor in November 2018 that NASA was owed a credit of approximately \$587,000 for payments on overstated claims for the base and option year 1 REAs.¹¹

For the option year 2 REA submitted to the CO in September 2017, the contractor requested approximately \$1.2 million for price adjustments related to profit, exempt employees, overtime, and workers’ compensation rates. Beginning in July 2018, the CO repeatedly requested the contractor provide records to support the REA claims; however, the contractor did not provide the requested documentation until September 2018. In November 2018, the CO notified the contractor that only \$191,182 of the approximate \$1.2 million claim was supported and NASA would not be issuing any payment for the option year 2 REA.¹² The CO found that the contractor submitted the \$1.2 million REA without the required cost certification, rendering the REA incomplete, and determined that any payment owed to the contractor under the REA was negated by the \$587,000 credit due to NASA for the overpayment of the base and option year 1 REAs.

In September 2018, the contractor submitted a \$1.5 million REA for option year 3. NASA subsequently informed the contractor that the REA would not be reviewed until the contractor submitted the appropriate supporting documentation substantiating the actual costs incurred.¹³

In connection with our audit, we had concerns regarding the contractor’s submission of unsupported REAs and began discussing them with the CO and Ames legal representative. In July 2018, the Ames Office of the Chief Counsel, in conjunction with Ames procurement personnel, began a preliminary review of the protective services contract REAs. In November 2018, the CO notified the contractor that NASA will no longer be reviewing any REAs based on cost estimates and future REAs must be based on certified actual cost accounting. At the same time, findings related to the equitable adjustments were referred to the Civil Division of the U.S. Attorney’s Office, Northern District of California, and were

¹⁰ FAR Subpart 43.103, *Types of Contract Modifications* (2016).

¹¹ The contractor submitted yearly REAs based on the assertion that the subcontractor’s workers’ compensation insurance costs increased approximately \$300,000 beyond the original bid price in each contract year. However, a review of the cost records revealed the subcontractor did not incur additional insurance costs, but underran the originally proposed bid price in both years.

¹² The CO made this determination based on documentation received from the contractor, the lack of supporting documentation, and preliminary analysis by a NASA contract auditor.

¹³ A significant portion of the option year 3 REA was for fire services provided by the subcontractor.

accepted for investigation. In December 2018, the NASA OIG Office of Investigations initiated an investigation of the contract including a comprehensive assessment of allowable costs. At the same time, we are encouraged by the recent actions taken by the CO and Ames Office of the Chief Counsel and believe they are on the correct path to recoup money from the contractor and appropriately verify costs before paying REAs in the future.

Changes to Contract Terms and Processes Resulted in Unnecessary Costs to the Government

The original structure of the protective services contract included five separate CLINs for time and materials—one each in the base year and four option years. Under these CLINs, time, travel, and materials would be charged to the contract as an ODC.¹⁴ As previously noted, ODCs are not treated as part of the fixed-price portion of the contract and instead these costs are classified as “cost type” expenses that the government must verify are valid through supporting documentation before making payment. Additionally, NASA allowed the contractor to include a 5 percent mark-up on their invoiced costs for all ODCs.¹⁵

During the base year of the contract, the previous CO altered the original structure of the contract when he removed CLIN 04 and applied the associated contract value from those line items to other fixed-price CLINs on the contract. The CO made the change via email without issuing contract modifications and no documentation exists within the contract file to justify the change. As a result, ODCs were comingled with fixed-price costs on the contract and the contractor was reimbursed for these costs without providing supporting documentation. When the current CO assumed his role in October 2017, he added a memorandum to the contract file noting the lack of documentation to support the time and material costs incurred under the contract.

In October 2018, the current CO restored the original CLIN structure for option year 3 and currently reviews ODC supporting documentation for allowable costs.¹⁶ However, Ames has not conducted a comprehensive review of comingled funds from the base year and first 2 option years to determine whether the 5 percent mark-up was inappropriately applied to fixed-price costs. We are concerned the government may have allowed the mark-up to be charged to costs for which it was not permitted and consequently has the right to recoup those costs.

In addition to changing the contract CLIN structure, the previous CO developed a “streamlined” ODC process that was inconsistent with task ordering procedures established in the contract. The contract requires ODC CLINs be issued on a task order and only the CO may issue task orders to the contractor. A task order provides the contractor specific authorization to perform work and incur costs within the scope of the task order. No other costs are authorized unless specified in the contract or expressly authorized by the CO.

¹⁴ According to the contract, CLINS 04 (base period), 07 (option year 1), 10 (option year 2), 13 (option year 3), and 16 (option year 4) will be issued only for training, travel, and materials on an IDIQ Time and Materials task order in accordance with task ordering procedures.

¹⁵ The 5 percent mark-up consists of 3.5 percent general and administrative expenses and 1.5 percent profit. The contractor included the mark-up in its proposal and NASA accepted the mark-up when it awarded the contract.

¹⁶ Contract modification number 84 restored the contract to its original CLIN structure.

In accordance with the contract terms, the COR identifies the specific work to be performed by initiating a task order form and preparing an independent government cost estimate.¹⁷ The CO approves the documents and provides the task order form to the contractor. The contractor then prepares a task cost estimate and provides it to both the CO and COR. The CO completes a technical evaluation and pre-negotiation memorandum, and may issue the task order after conducting a final review.¹⁸ However, instead of following these procedures, each month the Ames contractor submitted a spreadsheet with its estimated ODC expenses to which the contractor applied the 5-percent mark-up. Even though the monthly ODC spreadsheet was reviewed by several parties, including the CO, to determine the general allowability of the identified costs, we consider the streamlined ODC process inappropriate because the government may have incurred costs for work that would not have been specifically required if task ordering procedures were properly followed.

Although the Ames protective services contract requires that NASA reimburse the contractor for training, travel, and materials, both the CO and COR agreed the government should not be paying every ODC submitted.¹⁹ In fact, the current CO considers some of the ODCs paid over extended periods of the Ames contract unallowable. For example, Ames has been paying the lease costs for the contractor's vehicles for approximately 30 months, to which the contractor has been allowed to apply the 5 percent mark-up, resulting in the government improperly paying the contractor an estimated \$66,150 for vehicle lease costs.²⁰ The CO could not explain why the lease costs had been previously paid; however, he did not approve the lease cost for October 2018 because the contractor could not provide documentation supporting the lease agreements and because the government does not use the vehicles in question. Of the approximate \$68,000 total ODCs submitted for October 2018, the CO allowed only \$23,000.²¹ In addition to the vehicle lease costs, the disallowed costs included \$315 for fuel and \$42,506 for annual medical examinations and physical abilities tests.

The monthly ODC spreadsheet also included a \$4,200 allotment for fire vehicle maintenance for which the government should not be paying.²² Fire services are a contract requirement and were paid for under the FFP portion of the contract. The contract performance work statement specifically states that the contractor is responsible for fire vehicle operation and maintenance and should inspect, maintain, and repair all government-provided fire vehicles in accordance with applicable guidance and manufacturer's specifications.²³ According to the COR, the intent was for the contractor to pay for all maintenance costs and the government to pay for large items such as tire replacements, transmissions, and pumps. Since the contractor was paid for fire vehicle operation and maintenance under the FFP portion of the contract, they should not be receiving an additional \$4,200 monthly allotment for fire truck maintenance.

¹⁷ An independent government cost estimate is the government's best estimate of a contract's potential cost.

¹⁸ The pre-negotiation memorandum is an analysis of the contractor's estimated price, what the estimated price was based on, how it was derived, how it compared to the independent government cost estimate, and whether the contractor's price was fair and reasonable.

¹⁹ Our review of the protective services contracts at Glenn, Johnson, and Kennedy found that they do not pay similar ODCs.

²⁰ This calculation is an estimate based on a monthly lease cost for October 2018 of \$2,100, plus the 5 percent mark-up, for a total cost of \$2,205 per month. We did not obtain the lease costs for each of the 30 months.

²¹ ODCs for October 2018 included, among others, costs for uniforms, supplies, annual medical examinations and physical abilities tests, leased vehicles, and fuel.

²² The \$4,200 includes a \$4,000 monthly allotment for fire vehicle maintenance plus \$200 for the 5 percent mark-up.

²³ National Fire Protection Association 1500, *Standard on Fire Department Occupational Safety, Health, and Wellness Program* (2018).

Finally, in May 2016 the government paid \$10,000 to establish an in-house fire vehicle mechanic program, an additional cost to the government on the FFP portion of the contract, to train firefighters who volunteered to perform basic maintenance tasks (e.g., troubleshooting issues and fixing lights) and to purchase basic equipment. According to the COR, the program was designed to save money by reducing the need for a fire vehicle mechanic to travel to Ames, which costs approximately \$300 each visit. The intent was that the mechanic would only need to come to Ames to address significant maintenance issues because the firefighters would be able to address more basic issues. When we asked if Ames conducted an analysis to show the potential cost savings of establishing such a program versus sending the vehicles to an outside entity for repairs, the CO could find no indication in the contract file that such an analysis had been performed. The COR also stated that the monthly costs associated with the in-house fire vehicle mechanic program were in addition to the \$4,200 paid to the contractor for fire truck maintenance. While the government asserted that approximately \$10,000 was invested to establish the program, the total amount actually spent on the program cannot be determined.

The in-house mechanic program ended in the fall of 2017 due to a labor dispute between firefighters and the contractor that resulted in the firefighters stopping their participation. As a result, what was designed as a potential cost saving program for Ames resulted in unnecessary expenditures for unused training, tools, and equipment. Additionally, as previously mentioned, the contractor was paid to provide fire vehicle maintenance services under the FFP portion of the contract, so it is unclear why Ames monthly costs were paid for the program when the contractor was already receiving the \$4,200 monthly fire vehicle maintenance allotment.

Contractor Performance Assessments Are Untimely

Contractor past performance information is relevant for future source selection purposes. The FAR requires evaluations of contractor performance be conducted at least annually and at the time the work under a contract or order is completed.²⁴ These evaluations are reported in the Contractor Performance Assessment Reporting System and generally review the entity, division, or unit that performed the contract or service.

The Ames protective services contract was awarded in July 2015; therefore, a CPAR should have been completed for 2015, 2016, and 2017. Although a CPAR was completed for 2015, as of November 2018 only a partial CPAR was completed for 2016 and a draft assessment is available for 2017.²⁵ According to the CO, the COR was not formally assigned as the assessing official representative and was not utilizing the Contractor Performance Assessment Reporting System as required.²⁶ In September 2018, the CO generated a follow-on evaluation request to cover the incomplete 2016 CPAR and stated the CPAR was finalized in the Contractor Performance Assessment Reporting System.²⁷ However, we found that the CPAR did not include an actual assessment of the contractor's performance and was not signed by the CO as required. The COR stated the 2017 CPAR was completed, but had not been finalized. We are concerned that Ames contracting officials are not assessing the protective services contractor's performance in a timely manner and are underreporting key performance information such as

²⁴ FAR Subpart 42.15, *Contractor Performance Information* (2017).

²⁵ As previously noted, the 2015 CPAR covered the period from September 1, 2015, through August 30, 2016. The 2016 CPAR was in draft format and only covered the period from August 31, 2016, to February 28, 2017. The 2017 CPAR, also in draft format, covered the period from September 1, 2017, to August 31, 2018.

²⁶ A member of the Ames Acquisition Planning and Strategy Branch is responsible for CPAR reporting and would normally assign the assessing official representative.

²⁷ The period from the 2016 CPAR requiring review is from March 1, 2017, through August 31, 2017.

inadequate contractor staff training and certifications and high personnel turnover. This may leave NASA and other government agencies vulnerable to inappropriate contractor selection and poor acquisition outcomes in the future.

RECOMMENDATIONS, MANAGEMENT'S RESPONSE, AND OUR EVALUATION

Improper contract administration decisions, poor documentation retention, and lax oversight by prior contracting officials have resulted in unnecessary costs to the government. While Ames officials are now taking initial steps to restore the contract to its original structure and establish processes in accordance with contract terms, we remain concerned the contract is still not being administered as intended or in the best interest of the government.

To gain a complete understanding of the issues surrounding the Ames protective services contract and the implications that the contract's improper management has had on the government, we recommended the Ames Center Director direct the Ames Office of Procurement—in conjunction with the Ames Office of the Chief Counsel—to conduct a review of internal controls related to protective service procurement actions to ensure all future costs are tracked, approved, and allowable.

We provided a draft of this memorandum to NASA management who concurred with our recommendation and described actions the Agency plans to take to address it. We consider management's comments responsive; therefore, the recommendation is resolved and will be closed upon verification and completion of the proposed corrective actions. Management's comments are reproduced in Enclosure II. Technical comments provided by management have also been incorporated, as appropriate.

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



Paul K. Martin
Inspector General

cc: Daniel J. Tenney
Associate Administrator for Mission Support Directorate

Monica Manning
Assistant Administrator for Procurement

Joseph S. Mahaley
Assistant Administrator for Protective Services

Enclosures—2

Enclosure I: Scope and Methodology

We began this audit in February 2018 and completed the work associated with this report in February 2019 in accordance with generally accepted government auditing standards.²⁸ 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 conduct our audit, we assessed NASA's management of security across the Agency. As part of our initiative to thoroughly assess security management, we reviewed protective services contracts and associated contract management at four Centers—Ames, Glenn Research Center (Glenn), Johnson Space Center (Johnson), and Kennedy Space Center (Kennedy). We chose these locations to obtain a cross section of Center characteristics such as geographic location, protective services contract value, and tenant activity. Ames, Johnson, and Kennedy are the largest protective services contracts by dollar value and Ames and Kennedy have significant tenant populations. We chose Glenn due its oversight of the Plum Brook Station component facility and deficiencies identified in prior OIG reports.

We interviewed NASA officials at Headquarters and Ames and reviewed contract files and associated documentation. Our analysis focused on contract documentation obtained from the current Ames CO and COR as well as an Ames legal representative. Specifically, we reviewed contract award and performance work statement documentation; memorandums to the contract file; past and current CPARs; and correspondence between the OIG management analyst, contracting officials, the CO, and the contractor.

Use of Computer-Processed Data

The computer-processed data used in this audit did not materially affect the findings and therefore, we did not test the reliability and validity of the data.

Review of Internal Controls

We reviewed federal regulations and NASA policies and procedures to determine NASA's internal controls for ensuring effective security management across the Agency. We analyzed the execution of policy requirements as it related to security, fire, and emergency management. The control weaknesses we identified are discussed in the body of this memorandum. Our recommendation, if implemented, should correct the weaknesses identified. This review included, but was not limited to, the following:

- FAR Part 16, *Types of Contracts* (October 26, 2018)
- FAR Part 42, *Contract Administration and Audit Services* (November 6, 2017)
- FAR Subpart 1.6, *Career Development, Contracting Authority, and Responsibilities* (October 26, 2018)
- FAR Part 43, *Contract Modifications* (December 19, 2016)

²⁸ As of April 2019, the original audit was ongoing.

Prior Coverage

During the last 5 years, the NASA OIG and Government Accountability Office have issued 7 reports of significant relevance to security management at NASA and other federal agencies. Unrestricted reports can be accessed at <https://oig.nasa.gov/audits/auditReports.html> and <http://www.gao.gov>, respectively.

NASA Office of Inspector General

Industrial Control System Security within NASA's Critical and Supporting Infrastructure (IG-17-011, February 8, 2017)

Audit of NASA's Cooperative Agreement Awarded to the City of New Orleans (IG-15-018, June 29, 2015)

NASA's Launch Support and Infrastructure Modernization: Commercial Space Launch Activities at Kennedy Space Center (IG-15-003, October 23, 2014)

Space Communications and Navigation: NASA's Management of the Space Network (IG-14-018, April 29, 2014)

Government Accountability Office

Federal Real Property: GSA Should Inform Tenant Agencies When Leasing High-Security Space from Foreign Owners (GAO-17-195, January 3, 2017)

Homeland Security: Action Needed to Better Assess Cost-Effectiveness of Security Enhancements at Federal Facilities (GAO-15-444, March 24, 2015)

Federal Facility Security: Additional Actions Needed to Help Agencies Comply with Risk Assessment Methodology Standards (GAO-14-86, March 5, 2014)

Enclosure II: Management Comments

National Aeronautics and
Space Administration
Ames Research Center
Moffett Field, CA 94035-1000



APR 22 2019

Reply to Attn of

J: 200-9

TO: NASA Headquarters
Attn: Assistant Inspector General for Audits

FROM: Director, Ames Research Center

SUBJECT: Agency Response to OIG Draft Memorandum, "Ames Research Center Protective Services Contract" (A-18-003-01)

NASA appreciates the opportunity to review and comment on the Office of Inspector General (OIG) draft memorandum entitled, "Ames Research Center Protective Services Contract" (A-18-003-01), dated February 27, 2019.

In the draft memorandum, the OIG makes one recommendation to the Director, Ames Research Center (ARC), intended to gain a complete understanding of the issues surrounding the ARC protective services contract and the implications that the contract's improper management has had on the government.

Specifically, the OIG recommends the Director of ARC direct the ARC Office of Procurement—in conjunction with the ARC Office of the Chief Counsel to:

Recommendation 1: Conduct a review of internal controls related to protective service procurement actions to ensure all future costs are tracked, approved, and allowable.

Management's Response: NASA concurs. The ARC Acquisition Division will conduct a review of internal controls related to protective service procurement actions to ensure all future costs are tracked, approved, and allowable as warranted. The ARC Office of Chief Counsel will serve as advisor to both ARC Acquisition Division and Center Management. As noted in the draft memorandum and as outlined in our response below, actions were already underway to address the findings identified. When the current Contracting Officer (CO) realized there was a lack of documentation and that the ARC Protective Services Contract was not being administered properly, he—along with the new Branch Chief and new Team Lead—took some immediate actions. During routine file reviews, the previous Acquisition Division Branch Chief had begun working closely with the previous Contracting Officer (CO) and Team Lead and was in the process of holding them accountable for better file documentation and communication. However, the previous CO resigned

from NASA employment in September 2017; the Team Lead responsible during the actions identified retired in August 2017; and the Branch Chief responsible at the time has since left NASA (2018).

Key contract documents have been, to the maximum extent possible, printed and filed in the contract file. Spreadsheets have been established to track obligations and invoices. The task order process has been established and work is ongoing with the current CO and the Contracting Officer Representative (COR) to ensure all Other Direct Costs (ODCs) are evaluated as required in the original contract structure. As identified in the draft memorandum, the Primary COR and Alternate COR were advised that the pre-existing task order process was not capable of withstanding an audit. The CO has been working with the COR and Alternate COR to implement a task order process that utilizes the officially identified task order form (ARC36). On February 26, 2019, a task order PowerPoint presentation was given to Security Office personnel who are involved with the task order process to ensure that these personnel understand how task orders are initiated and what specific documentation is required to be submitted with a task order request. Future training will be provided on how to prepare an Independent Government Cost Estimate (IGCE). The Acquisition Division anticipates this training will take place no later than April 2019. In order to ensure the COR and Alternate COR for the Ames Protective Services Contract have a current understanding of their roles and responsibilities, they have both been scheduled for the next NASA COR training.

In September 2017, the Procurement Division hired an auditor who brought a special skill set that contributed to the Government being able to appropriately analyze the Request for Equitable Adjustment (REA) submitted by the Ames Protective Services Contractor. This auditor is a seasoned former Defense Contract Audit Agency (DCAA) supervisory auditor with over 30 years of extensive experience. He has an expertise in all matters pertaining to FAR Part 31 cost principles and has extensive experience reviewing contractor claims, requests for equitable adjustments, as well as reviewing contractor cost estimates in proposals. Lastly, this auditor has over a decade of experience working with law enforcement officials in supporting investigations of suspected irregular conduct. An additional auditor was hired in April 2018. These positions, in addition to supporting cost/price analysis on source selections for the Acquisition Division, will provide expert support for future REAs and other contract claims for the Protective Services Contract and all other contracts administered by the Division.

In addition, the Division has established an increased emphasis on early management notification of any REA, or contract increase request resulting from a Collective Bargaining Agreement (CBA) adjustment, Service Contract Act (SCA) increase, or Davis Bacon Act (DBA) increase. Regardless of dollar value, any of these requests for any service contract, will be brought to the attention of the Contract Specialists' Team Lead and/or Branch Chief. The Team Lead or Branch Chief will then add that information into a Division Management accessible

spreadsheet that is also shared with the Division policy and audit staff. This process will be fully implemented no later than April 2019.

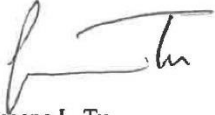
As identified in the draft memorandum, Contractor Performance Assessment Reporting System (CPARS) has been completed for the Base Year of the ARC Protective Services Contract. The previous CO entered an interim evaluation for the first Option Year into CPARS. It was developed covering the first six months of the option period but was not finalized. The current CO initiated an evaluation for the remaining six months of the option period; however, due to erroneous dates in CPARS, these two evaluations do not correctly capture this reporting period. The CO is currently working to correct these system issues and will reissue a 12-month report for Option Year One no later than March 29, 2019, barring any unforeseen technical limitations in CPARS. Option Year Two evaluation was submitted in CPARS with narrative and ratings provided by the COR and CO and forwarded to the contractor for review on February 11, 2019. The contractor responded on February 22, 2019, taking exception to one rating element. This exception will be reviewed and addressed by the Reviewing Official no later than April 2019.

The Acquisition Division has recognized that timely completion of Contractor Performance Assessment Reporting System (CPARS) is an area needing management attention. This, along with contract closeout, is an area that suffers when workload is extremely heavy. Starting in April 2018, the Acquisition Division, led by the Deputy Division Chief, established a monthly meeting to address timely CPARS and contract closeout completion. The monthly meetings allow Division staff (including Contracting Officers and their respective Team Leads and/or Branch Chiefs) and the technical community (when appropriate) to discuss any issues or roadblocks that prohibit timely completion. Most meetings focus on the top twenty to twenty-five overdue CPARS reports. The Deputy Division Chief led at least two meetings wherein the discussion included the entire inventory of overdue CPARS reports. In addition, the Deputy Division Chief sends out the entire list every month to the Branch Chiefs for dissemination to their staff. These meetings will restart in April 2019.

Estimated Completion Date: The ARC Acquisition Division anticipates all corrective actions will be completed by June 30, 2019.

We have reviewed the draft report for information that should not be publicly released. As a result of this review, 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 Rhonda Baker, Ames Audit Liaison Representative, at (650) 604-5631.

A handwritten signature in black ink, appearing to read 'E. Tu', with a stylized flourish extending from the end.

Eugene L. Tu

cc:

Associate Administrator for Mission Support Directorate/Mr. Tenney
Assistant Administrator for Procurement/Ms. Manning
Assistant Administrator for Protective Services/Mr. Mahaley