National Aeronautics and
Space Administration

SEMIANNUAL REPORT
Office of Inspector General

October 1, 2002–March 31, 2003

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ANONYMOUS HOTLINE

All NASA and NASA contractor employees are encouraged to alert the OIG to crime, fraud, waste, and mismanagement in NASA's programs. The OIG Hotline offers a confidential means for reporting this important information.

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The IG Act protects Government employees from reprisals or retaliation by their employers for reporting to the OIG. Although as a Hotline caller you may remain anonymous, we encourage you to provide us with your contact information. The ability to gather additional information from Hotline callers is often key to effectively pursuing allegations.

FRONT COVER:

This is the insignia for STS-107. The central element of the patch is the microgravity symbol, µg, flowing into the rays of the astronaut symbol. The mission inclination is portrayed by the 39 degree angle of the astronaut symbol to the Earth's horizon. The sunrise is representative of the numerous experiments. The constellation Columbia (the dove) was chosen to symbolize peace on Earth and the Space Shuttle Columbia. The seven stars also represent the mission crewmembers and honor the original astronauts who paved the way to make research in space possible. The Israeli flag is adjacent to the name of the payload specialist who is the first person from that country to fly on the Space Shuttle.

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FROM THE INPECTOR GENERAL

On February 1, 2003, Space Shuttle Columbia was lost during its re-entry into Earth's atmosphere after a 16-day science mission. The NASA Office of Inspector General (OIG), along with the rest of NASA and the nation as a whole, mourns the loss of Columbia and her heroic crew: Commander Rick Husband, Pilot William McCool, Payload Specialist Ilan Ramon, and Mission Specialists Michael Anderson, David Brown, Kalpana Chawla, and Laurel Clark.

Determining the cause of the Columbia accident is of tremendous significance to NASA and the future of human space flight. Columbia accident related activities have been a primary focus of the OIG since February 1. On February 2, at my request, the Administrator designated me to serve as an observer to the Columbia Accident Investigation Board (CAIB) and its efforts to determine what caused the accident. As an observer to the CAIB's activities, I expect to be able to report to the Administrator and to Congress on whether the CAIB carried out its responsibilities independently and whether NASA cooperated fully with the CAIB's investigation. Also, my involvement has facilitated the referral by the CAIB of matters appropriate for investigation by the OIG. Finally, through my role as an observer of the CAIB's activities, the OIG will be in a better position to participate in ensuring that NASA takes the appropriate steps to address the recommendations of the CAIB. Other Columbia related activities of the OIG are discussed more fully in this semiannual report.

More generally, I am concerned that there may be a public perception that human space flight can be safe when, in fact, it is inherently risky and dangerous and will be for the foreseeable future. This said, that we as a society can undertake to pursue such inspirational and challenging endeavors as human space flight is a credit to the human spirit and the United States of America. The OIG aspires to add value to NASA's efforts to mitigate the risks of these awesome undertakings.

Changes to the OIG

During this period, I combined the Office of Audits and the Office of Inspections and Assessments into a single Office of Audits. This reorganization has brought the management of the Office of Audits to headquarters and will allow the OIG to more effectively fulfill its reporting obligations to the Administrator and to Congress. Also, this reorganization eliminates the duplicative missions of the former audits and inspections offices. I believe that the reorganized Office of Audits will be better able to focus on critical issues, produce meaningful value-added products in a timely and effective manner, and consistently follow through to ensure that the Agency takes responsive action.

I appointed David Cushing as the Assistant Inspector General for Auditing (AIGA) and Alan Lamoreaux as the Deputy AIGA. The office consists of six functional directorates—Financial Management, Information Technology, Institutional and Infrastructure Management, Procurement, Safety and Security, and Strategic Enterprises. These directorates reflect the responsibilities and priorities of the Office of Audits and the division of labor to address them. In addition, a Quality Control Division oversees compliance with applicable standards and an Administrative and Operations group supports the six directorates.

Key Issues

In the two previous semiannual reports, I expressed concerns relating to the Chief Financial Officer financial statement FY 2002 audit, conducted by PriceWaterhouseCoopers (PwC) under contract to the OIG. NASA's prior year FY 2001 audit resulted in a disclaimer due to several factors, but primarily NASA's inability to provide the information necessary to complete the audit.

NASA's FY 2002 audit also presented a significant challenge to the Agency, PwC, and the OIG. At the end, NASA received a clean opinion on its FY 2002 financial statement audit. But PwC reported a repeat material weakness in internal controls over NASA-owned contractor-held property as well as a material weakness in the process for preparing the financial statements and performance and accountability report. These weaknesses necessitated an inordinate amount of work by NASA to bring the financial statements into good order.

These issues will continue to require senior level management attention as NASA implements its Integrated Financial Management Program (IFMP). NASA's IFMP is the keystone in the Agency's efforts to improve its financial, physical, and human resources management systems and processes and provide for accurate and timely management information. Accordingly, the NASA OIG will continue to closely monitor IFMP implementation.

We will continue to focus the efforts of the OIG on those areas that we believe will bring the most value to NASA and the taxpayer. Fortunately, NASA senior management embraces the principle that an independent OIG brings value to the Agency, and this perspective has facilitated the OIG's fulfillment of its mandate to promote economy and efficiency in Agency programs. At the one-year mark of my tenure as Inspector General (IG), I believe that the NASA OIG is well positioned to conduct investigations and audits that advance the best interests of the American taxpayer.

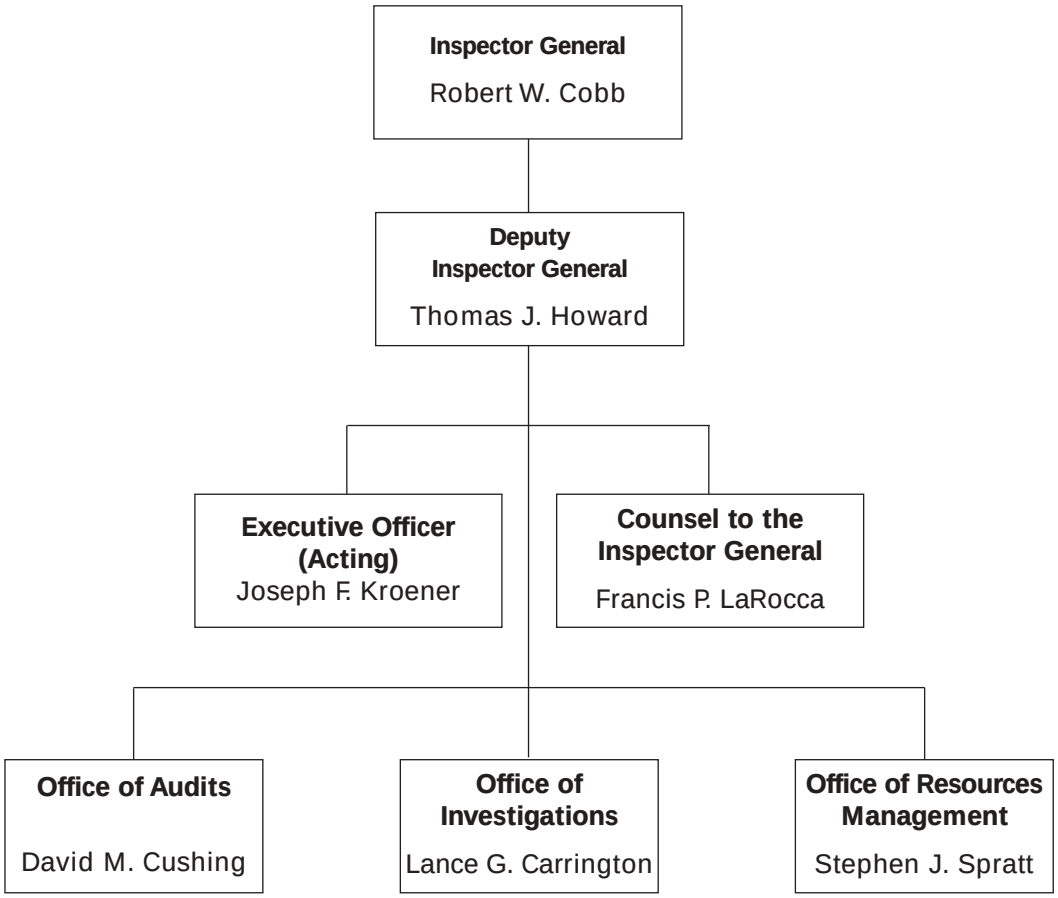
This semiannual report fairly summarizes the activities of the NASA OIG during the reporting period.

Robert W. Cobb
Inspector General

ORGANIZATION

NASA OFFICE OF INSPECTOR GENERAL

THE NASA OFFICE OF INSPECTOR GENERAL conducts audits, reviews, and investigations to prevent and detect waste, fraud, abuse, and mismanagement and to assist NASA management in promoting economy, efficiency, and effectiveness. The OIG's FY 2003 budget, which totals $24.6 million, supports the work of approximately 200 auditors, investigators, analysts, and support staff.



INSPECTOR GENERAL Robert W. Cobb provides policy direction and leadership for the NASA OIG. The Deputy Inspector General serves as the alternate to the Inspector General and participates in the development and direction of the diverse audit, investigative, and evaluative functions of the OIG. The Counsel to the Inspector General advises and assists the Inspector General on a variety of legal issues and matters. The Executive Officer manages special projects and is the OIG point of contact for congressional relations and outreach to external entities.

THE OFFICE OF AUDITS (OA) conducts independent, objective audits, reviews, and other examinations of NASA and NASA contractor programs and projects to improve NASA operations. The OA provides a broad range of professional audit and advisory services, performs focused reviews of specific management issues, comments on NASA policies, and is responsible for oversight of NASA audits performed under contract or by other Federal agencies. The OA helps NASA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the efficiency and effectiveness of NASA operations and by deterring fraud, crime, waste, and abuse.

THE OFFICE OF INVESTIGATIONS (OI) identifies, investigates, and refers for prosecution or to management for action cases of crime, waste, fraud, and abuse in NASA programs and operations. Through its investigations, the OI also seeks to prevent and deter crime by recommending to NASA effective measures to correct crime-conducive conditions at NASA. The OI's Computer Crimes Division performs criminal cyber investigations in response to attacks against NASA's information technology systems, criminal misuse of NASA computers, forensic analysis, and conducts research and development of computer media for national law enforcement purposes. The OI's Administrative Investigations Unit investigates matters of a noncriminal nature involving NASA's civil servant and contractor employees.

Titan IVB/Centaur, carrying Cassini orbiter launched October 15, 1997, will arrive at Saturn in July 2004.

THE OFFICE OF RESOURCES MANAGEMENT advises the Inspector General and OIG managers and staff on administrative, budget, and personnel matters, and oversees OIG adherence to management policies.

COLUMBIA-RELATED ACTIVITIES

Inspector General's Role

On February 1, 2003, at approximately 9:00 a.m. eastern standard time, mission control at Johnson Space Center lost communication with the NASA Space Shuttle Columbia during its return to Earth. NASA declared a mishap after determining that Columbia experienced a critical failure in the atmosphere over eastern Texas and at 9:16 a.m., the Associate Administrator, Office of Space Flight, William Readdy, initiated the NASA Contingency Action Plan. Later that day, the Administrator, Sean O'Keefe, verbally established the Columbia Accident Investigation Board. In a letter dated February 2, 2003, the Administrator formally activated the CAIB and published the original Charter, which is dated February 1, 2003.

Because of the critical importance of the Columbia accident investigation to the future of our nation's human space flight program, the IG, Robert W. Cobb, requested that the Administrator designate the IG as an observer to the CAIB. In a letter dated February 2, 2003, the Administrator formally appointed the IG to "observe" the activities of the CAIB. The IG joined the CAIB near Shreveport Louisiana on February 3, 2003.

The IG sought the position as an observer given the tremendous importance of the CAIB's activities to the Agency. The access of the IG to CAIB activities allows for the coordination of all OIG activities related to the Space Shuttle Program or the Columbia accident with CAIB operations. While matters relating to the Columbia accident might fall within the broad mandate of the OIG, the IG did not expect to be conducting audits or investigations that would compete with the CAIB's activities; however, the IG did expect that there would be circumstances requiring coordination and independent IG investigations or audits based on information referred by the CAIB.

One significant concern with respect to the IG's role related to the nature of the CAIB safety investigation. The object of a safety investigation is to find the cause of an accident, not to find or ascribe fault. In this context, and in the context of the IG duty to root out waste, fraud, and abuse, the Agency and the CAIB were sensitive to whether the presence of the IG would have a chilling effect on CAIB activities, in particular the ability of the CAIB to obtain witness testimony. The issue was resolved through the IG's agreement that he would be excluded from the taking of, or the discussion of, sensitive witness testimony. This arrangement was satisfactory to the IG because it would help preserve IG independence should subsequent IG investigations or audits be deemed necessary.

The OIG plans to closely track NASA's support for the investigation and, ultimately, NASA's consideration and implementation of CAIB recommendations. The OIG expects to report on CAIB independence. The OIG may also review the effectiveness of NASA's mishap investigation policy including lessons learned and operational and financial considerations in running an investigation of this magnitude.

Investigative Activities

Immediately after the Columbia accident, Special Agents from the OIG's Office of Investigations were dispatched to Texas to participate in a multi-agency task force to assist in the debris recovery effort. Twenty-five OIG agents worked closely with NASA security and State and local first responders in the initial phase of identifying, securing, and collecting material associated with the accident. In addition, our Computer Crimes Division established a dedicated cyber hotline through which citizens could openly or anonymously report suspected illegal use, possession, or sale of shuttle material or report any other pertinent information. Several investigations were initiated into allegations of theft of accident debris (government property) and the associated crime of obstruction of proceedings before an agency. As of March 31, 2003, four individuals were each charged with theft of government property and/or obstruction of an agency proceeding.

Staff resources from other organizations aided our onsite work. While there were a number of organizations that provided assistance in the immediate aftermath, the IG is particularly appreciative of the agents and employees of the Defense Criminal Investigative Service and Railroad Retirement Board OIGs for their support of the recovery efforts.

Prior to the Columbia accident, the OIG conducted numerous criminal investigations involving counterfeit and falsely certified parts that had some connection to the Space Shuttle Program. On all of these cases, we coordinated with NASA safety officials to ensure that no unsafe parts remained in service. Our review continues, but to date we have found no parts cases related to the STS-107 Columbia flight.

Audit Activities

Upon establishment of the CAIB, OIG staff commenced a survey of all OIG work products (e.g., audit reports, inspection reports, management referrals, investigative activity) relating to the Space Shuttle Program. The purpose of this activity was to determine whether any of these products contained findings or recommendations that may have been pertinent to the Columbia accident.

Over the past 4 years, the OIG issued 10 reports addressing NASA's management of its safety program related to the Space Shuttle. Our work did not disclose any safety deficiencies that presented an immediate threat to Space Shuttle mission-critical operations or suggest the decision to launch the Columbia mission was flawed. We did, however, identify deficiencies in safety operations related to NASA oversight of contractor performance and poorly defined roles and responsibilities for NASA and its contractors. NASA has completed or is taking action to address all of our recommendations.

Our recent reports related to the safety of the Space Shuttle Program addressed:

- Selection of Space Shuttle safety upgrades–report IG-02-020 (July 1, 2002).For details go to Web site: *http://www.hq.nasa.gov/office/oig/hq/ig-02-020.pdf*

- NASA's oversight of United Space Alliance's (USA) safety procedures for ground operations and integrated logistics at the John F. Kennedy Space Center–report IG-02-018 (June 24, 2002). For details go to Web site: *http://www.hq.nasa.gov/office/oig/hq/ig-02-018r.pdf*

- Storage of certain flight components for the Space Shuttle at Kennedy Space Center–report G-02-016 (May 22, 2002).

- Use of lifting devices and equipment at Stennis Space Center–a safety alert, Alert 02-01 (October 3, 2001), and report IG-01-042 (September 28, 2001). For details on the report go to Web site: *http://www.hq.nasa.gov/office/oig/hq/ig-02-042.pdf*

- Use of plastic films, foams, and adhesive tapes in Space Shuttle and payload operations–a safety alert, Alert 01-01 (May 22,2001), and reports IG-00-028 (March 30, 2000), IG-01-034 (August 31, 2001). For details on the reports go to Web site: *http://www.hq.nasa.gov/office/oig/hq/ig-00-028r.pdf* and *http://www.hq.nasa.gov/office/oig/hq/ig-01-034.pdf*

- NASA oversight of USA safety procedures at Johnson Space Center–report IG-01-017 (March 23, 2001). For details go to Web site: *http://www.hq.nasa.gov/office/oig/hq/ig-01-017.pdf*

- Safety requirements in NASA contracts at Kennedy Space Center and Marshall Space Flight Center–IG-00-035 (June 5, 2000). For details go to Web site: *http://www.hq.nasa.gov/office/oig/hq/ig-00-035.pdf*

Our reports contained numerous recommendations to correct identified deficiencies and improve NASA's management of its safety program. At this time one recommendation remains open. The open recommendation involves completing an assessment of hazard analyses for cranes used in critical lifting operations at the Stennis Space Center. The Center estimates completed action by May 16, 2003.

SIGNIFICANT AUDITS, INSPECTIONS, AND INVESTIGATIONS

PROCUREMENT

During FY 2002, NASA procured over $13.3 billion in goods and services, accounting for more than 85 percent of the Agency's total obligations. With such a large percentage of NASA's budget expended through contracts and other procurement vehicles, effective and efficient procurement practices are critical to NASA's success in achieving its overall mission. NASA OIG audits, inspections, and investigations seek to improve the Agency's procurement practices and to prevent and detect procurement fraud.

Audit of NASA's Undefinitized Contract Actions
In the past, NASA has relied heavily on undefinitized contract actions (UCAs) to modify work or initiate new work on existing contracts for major programs such as the International Space Station and the Space Shuttle. As of March 31, 2000, NASA had about 186 UCAs totaling more than $2 billion. UCAs are a financially risky way of doing business because contractors perform work before they have reached agreement with the Government on what the work will cost. NASA management acknowledged that beginning work on contract changes before the cost is negotiated is not the preferred way of doing business because it increases the risk of cost growth.

Our audit, *NASA's Reduction of Undefinitized Contract Actions* (IG-03-008), found that NASA had significantly reduced both the number and dollar amount of UCAs since the General Accounting Office highlighted them as one reason for identifying contract management as a major management challenge for NASA. By November 30, 2002, NASA had reduced the number of UCAs to 19 with a total estimated value of $61 million, representing reductions of about 90 percent in the number of UCAs and 97 percent in estimated dollar value. We also found that three Centers reviewed had differing policies for classifying and reporting certain contract changes, which could cause inaccurate UCA reporting on certain relatively low-value contracts. We recommended that the Assistant Administrator for Procurement establish guidelines for consistent treatment of all undefinitized contract changes NASA-wide. Management concurred with the recommendation and implemented measures to ensure the consistent treatment and reporting of UCAs.

This report is available on the Web at: *http://www.hq.nasa.gov/office/oig/hq/ig-03-008.pdf*

Audit of NASA's Support Services Contracts
Over the last decade, Federal agencies, including NASA, have substantially increased their purchases of services. In fiscal year 2001, NASA paid about $2.7 billion for professional, administrative, and management support services contracts. We performed audit *NASA Contracts for Professional, Administrative, and Management Support Services* (IG-03-003) because of NASA's significant investment in support services contracts and prior NASA OIG and Department of Defense (DOD) OIG audits that identified management control weaknesses related to support services contracts.

We found that 3 NASA support services contractors did not adequately compete 13 (59 percent) of 22 subcontracts awarded and did not adequately justify the lack of competition for the 13 awards. Consequently, NASA has reduced assurance that the selected subcontractors offered fair and reasonable prices for services valued at about $13 million.

We also found that NASA did not maximize opportunities to use fixed-price contracting for routine administrative services. As a result, NASA assumed more risk than necessary because the use of cost-type contracts rather than fixed-price contracts can minimize the contractor's incentive to control costs and perform efficiently. In addition, cost-type contracts can be more costly and burdensome for NASA to administer due to more stringent contract reporting and review requirements.

We recommended that NASA contracting officers (COs) require contractors to develop and improve company policies for documenting justifications for noncompetitive subcontract awards and to follow policies for competing subcontracts and documenting noncompetitive procurements. We also recommended that COs thoroughly document their analysis and approval of a contractor's request to subcontract and include the documents in the contract files. We further recommended that the NASA COs collect sufficient historical data on routine administrative services to allow for expanded use of fixed-price contracting in future awards when data and circumstances indicate that fixed-price contracting is appropriate.

Management concurred with the recommendations, and we consider management's planned and completed actions responsive.

This report is available on the Web at: *http://www.hq.nasa.gov/office/oig/hq/ig-03-003.pdf*

Assessment of NASA's Procurement Management System On-line Query Tool
Users rely on the data in NASA's Procurement Management System (NPMS) for timely, consistent, and reliable information about NASA procurements. Our assessment, *Review of NASA's Procurement Management System On-line Query Tool* (G-02-006), found that data being reported to the public in the NPMS is incomplete, inaccurate, or confusing to the user. We also determined that the Agency needs to develop a new procurement reporting system. Management concurred with our six recommendations to improve the dissemination of NASA procurement information and the quality of available procurement data.

This report is available on the Web at:
http://www.hq.nasa.gov/office/oig/hq/inspections/g-02-006.pdf

Investigations of NASA Contractor Fraud
During this semiannual period, the OIG focused investigative resources to detect and eliminate false claims, procurement irregularities, and fraud schemes that unduly inflate the costs of government programs and negatively impact NASA's financial performance. The OIG is conducting numerous investigations into allegations of financial wrongdoing, some of which resulted in the following legal actions during this semiannual period:

- K-3 Systems, Incorporated agreed to pay $150,000 to the Government to settle a civil claim pursuant to the False Claims Act. K-3 Systems received a NASA research grant. The case involved alleged fraud in obtaining that research grant. Representations made to NASA by K-3 Systems during the course of grant performance were alleged to be fraudulent and materially misleading. K-3 Systems settled the claim but made no admission of violating the False Claims Act.

- The two owners of Action Reprographics Incorporated were indicted on one count each of conspiracy to pay kickbacks and filing a false tax return. The kickback scheme involved paying off a contractor employee in exchange for directing millions of dollars worth of business to their printing and graphics company. These indictments were the latest in an ongoing criminal investigation in which eleven other individuals have already pled guilty. The defendants allegedly paid over $13 million for their company to receive over $24 million in commercial and government contracts.

- The owner of Eastern Tech Manufacturing Corporation pled guilty to wire fraud and conspiracy to defraud NASA and was subsequently sentenced to a 12 month and 1 day term of imprisonment. He was also ordered to pay a $15,000 fine, $49,413 in restitution to NASA, and a special assessment of $150. The owner, working in concert with a former Boeing Information Services employee, submitted to Boeing fraudulent and inflated claims for payment of computer equipment in connection with a NASA contract.

- RTS Services, Incorporated and the company president were sentenced following their convictions in an illegal kickback scheme. RTS Services, an aircraft parts broker, was sentenced to 3 years of supervised probation and ordered to pay restitution of $251,862 and a special assessment of $1,200 for its conviction on one count each of Conspiracy, Wire Fraud and Money Laundering. The former company president was sentenced to 36 months in prison to be followed by 3 years of supervised probation, and ordered to pay restitution of $251,862 and a special assessment of $100 for his conviction on one count of Money Laundering. RTS Services had engaged in a scheme to pay illegal kickbacks to another company in return for aircraft parts repair business that it directed to RTS Services. The RTS Services' repair work included government contracts with NASA, the United States (U.S.) Navy, the U.S. Air Force, and the Department of Transportation.

INFORMATION TECHNOLOGY SECURITY

NASA management recently implemented several ITS improvements and has more initiatives planned that may significantly enhance NASA's ITS posture. However, OIG ITS reviews continue to find that the Agency needs to improve controls over its information systems and compliance with its ITS requirements. Also, NASA's ITS performance measures do not fully address requirements in the Government Information Security Reform Act (GISRA). The independent public accountant responsible for NASA's FY 2002 financial statement audit has also identified similar ITS weaknesses during its activities, including problems that were identified in the FY 2001 audit but not corrected. Consequently, the OIG considers ITS a serious management and performance challenge for NASA. The OIG will continue to focus on NASA's effectiveness in implementing policies, procedures, and practices as well as its progress in protecting its critical physical and cyber-based infrastructure. Notable ITS reports released during this period include:

- Our *Assessment of [a NASA Installation's] Firewall and Other Information Technology Security Measures* (G-02-024) examined whether the network firewall complies with published guidance and policy and whether the firewall adequately protects information technology resources from potential hackers and other unauthorized users. We also reviewed the installation's network architecture to ensure that the firewall adequately controls network communications. We found that the installation's perimeter security does not meet relevant security standards and that the process to clear hard drives is ineffective. NASA management concurred with our two recommendations to enhance ITS and the firewall.

Due to the sensitivity of reporting ITS vulnerabilities, this report is not available on the Web.

- Our audit, *Performance Management Related to Agencywide Fiscal Year 2002 Information Technology Security Program Goals* (IG-03-009), reviewed whether NASA had developed specific performance measures to adequately address ITS program requirements in GISRA and in Office of Management and Budget (OMB) guidance on reporting for GISRA. In addition, we reported on NASA officials' performance against a set of high-level management measures provided in the OMB reporting instructions. The audit found that NASA's ITS performance measures did not fully address security program performance requirements in GISRA and OMB guidance for reporting on GISRA. Although the NASA Chief Information Officer established FY 2002 Agencywide ITS performance measures for unclassified systems, the measures either did not fully accomplish NASA's intended Agencywide ITS program goals or did not ensure that NASA information, data, and systems were adequately protected. NASA management concurred with our recommendations to improve ITS performance measures.

Due to the sensitivity of reporting ITS vulnerabilities, this report is not available on the Web.

- Our audit *Independent Verification and Validation of Software* (IG-03-011) found that NASA had not effectively ensured that all applicable software development projects were assessed to determine their appropriate level of independent verification and validation (IV&V), a critical management control for minimizing the risk of software-related, catastrophic mission failure. NASA did not provide a complete list of all applicable software development projects to NASA's IV&V Facility, a technically independent organization that helps to ensure that software verification and validation activities are unbiased and based upon objective evidence. Such a list would have enabled Facility personnel to identify projects that had not yet been assessed to determine the need for IV&V. Management agreed to take corrective actions. We also found that NASA had not included IV&V requirements in the current Jet Propulsion Laboratory (JPL) contract that will expire on September 30, 2003. NASA management agreed to incorporate the requirements into the follow-on contract, which will become effective October 1, 2003.

This report is available on the Web at: *http://www.hq.nasa.gov/office/oig/hq/ig-03-011.pdf*

Computer Crimes Investigations

Computer crimes threaten the security of our nation's information technology infrastructure. During this period OIG OI investigated perpetrators who misused computer services for unauthorized or illegal purposes. Some of this work was conducted jointly with other law enforcement organizations. For instance:

- A former NASA employee pled guilty to one count each of sexual exploitation of a child, transportation of child pornography by computer, and receipt of child pornography by computer. The former senior NASA employee posed as a 14-year old Virginia girl to entice a 13-year old Virginia boy to produce and send to him pictures depicting child pornography. The former employee then exchanged those pictures with a friend in California, who then sent the former employee other pictures depicting child pornography. All of these activities occurred using NASA-assigned computers and NASA networking facilities.

- A computer hacker from London, England, was indicted for illegally accessing and causing damage to multiple U.S. Government computers. Over a 6-month period, the hacker allegedly compromised computers belonging to NASA, DOD, local governments, and private sector companies. The United Kingdom's National Hi-Tech Crime Unit apprehended the hacker in London, after a 17-month joint investigation conducted by British authorities, multiple military investigative units, and the OIG.

- Two individuals, who had previously pled guilty to conspiracy, use of unauthorized access devices (credit card numbers), and possession of unauthorized access devices were sentenced in U.S. District Court, Norfolk, Virginia, to a total of 66 months incarceration and 3 years of probation. They were both ordered to pay $20,807 in restitution and a special assessment of $300. They stole the identity and credit card numbers of various individuals, some of whom worked at the Langley Research Center, and used the victims' stolen identities to obtain fraudulent credit cards with which they made purchases over the Internet. One of the individuals will be remanded to the custody of the Immigration and Naturalization Service for deportation proceedings upon completion of her prison sentence.

Stage of Delta III rocket being lowered into a test chamber at Plum Brook.

SAFETY

NASA performs some of the most technologically complex tasks of any organization in the world. Programs such as the International Space Station and the Space Shuttle present enormous engineering challenges with inherent dangers and significant safety risks. The accident involving the Space Shuttle Columbia reflects the risks associated with human space flight. But there are many other NASA programs that also require substantial attention to risk mitigation. The Agency has committed to an operational environment where safety is a top priority, and OIG audits, inspections, and investigations are directed toward the goal of improving safety at NASA. During the conduct of our ongoing safety reviews this period, a concern arose that, in our opinion, needed management's immediate attention. Therefore, we issued a management letter to address this concern, discussed in detail as follows:

- During an audit of controls over pressure vessels and pressurized systems at Stennis Space Center (Stennis), we identified a potential safety hazard that could adversely affect the Center's propulsion test mission. Specifically, Stennis may have some high-pressure liquid oxygen valves in use that have stainless steel bodies and Monel (an alloy composed of nickel, copper, and iron with traces of other elements) stem plugs. Use of Monel stem plugs with stainless steel valve bodies in high-pressure liquid oxygen systems may increase the risk of oxygen fires. Stennis modified its valve contract to substitute stainless steel stem plugs for the originally specified Monel stem plugs. However, Center Operations personnel verified that Stennis did have valves in use with stainless steel bodies and Monel stem plugs that had not been procured under this contract, or may have been obtained from other NASA Centers. Our management letter, *Potential Safety Hazard with the Use of Monel Stem Plugs in High-pressure Liquid Oxygen Valves*, issued December 23, 2002, recommended NASA determine the safety of using these valves in a high-pressure liquid oxygen system. Stennis management ordered a review of the use of the questioned valves and determined the valves to be safe and acceptable.

MANAGEMENT CONTROLS

Audit of Expendable Launch Vehicle Performance Measures

Performance measurement involves a process of planning a goal, establishing an objective measure of actual performance, recording performance, evaluating actual performance against the planned goal, and reporting results. The Government Performance and Results Act of 1993 (GPRA) and OMB define a performance measure as a performance goal or performance indicator. GPRA states that a performance goal means a target level of performance expressed as a tangible, measurable objective against which actual achievement can be compared. Our audit *Expendable Launch Vehicle Performance Measures* (IG-03-002), found that NASA should clarify one of the two Expendable Launch Vehicle (ELV) Program performance goals and indicators in the Agency's FY 2003 Performance Plan (the Plan) to better meet GPRA and OMB requirements. Specifically, NASA's Office of Space Flight had not fully defined two key terms or provided the basis for the prescribed 95-percent launch success rate in the Plan. Fully defining the terms and explaining the basis for the 95-percent rate will provide improved performance information. Improved performance information will allow external stakeholders, such as the Congress and the public, to better determine the relative effectiveness of the ELV Program and to have confidence that the program's results justify the $36 million budgeted for technical management and acquisition services. We recommended that NASA clarify the meaning of the two key terms and the basis for the prescribed 95-percent launch success rate in the ELV Program performance indicator in the FY 2003 NASA Performance Plan or Performance Report. NASA concurred with the recommendation and will take corrective action starting with the FY 2002 NASA Performance Report.

This report is available on the Web at: *http://www.hq.nasa.gov/office/oig/hq/ig-03-002.pdf*

Audit of NASA's Monitoring of Contractor Compliance with New Technology Reporting Requirements
NASA has been an important source of much of the nation's new technology and extends the commercial application of its technology by transferring the technology to private industry for commercial use to the maximum extent possible. NASA contractors are required to promptly report inventions, discoveries, improvements, and innovations made in the performance of any work. Prompt reporting also allows NASA to provide the widest practicable and appropriate dissemination, early utilization, expeditious development, and continued availability of new technologies for the general public. Our audit, *NASA's Monitoring of Contractor Compliance With New Technology Reporting Requirements* (IG-03-006), found that NASA did not follow up with contractors that were required to submit reports for 6 (55 percent) of the 11 active contracts and for 1 (25 percent) of 4 completed contracts reviewed. NASA managers had not emphasized to new technology representatives and contracting officer's technical representatives (COTRs) the importance of monitoring contractor compliance, and new technology representatives and COTRs were not sufficiently trained in new technology reporting requirements. As a result, the Agency could not be assured that new technologies, developed under contracts totaling $9.8 billion, were transferred to private industry for commercial use, thereby potentially reducing the nation's return on its investment in aerospace research. We recommended that: (1) NASA management emphasize requirements to follow up on contractors' reporting of new technologies; (2) the Directors for Goddard Space Flight Center, Lyndon B. Johnson Space Center, and Langley Research Center incorporate new technology reporting-related responsibilities into position descriptions and performance plans for new technology representatives and direct COTRs to perform new technology reporting-related duties delegated to them by contracting officers; and (3) the Center Directors direct COTRs and new technology representatives to coordinate activities to ensure that contractors submit the required reports and that the Centers train new technology representatives and COTRs on new technology reporting requirements. Management concurred with the recommendations and has planned or completed corrective actions.

The report is available on the Web at: *http://www.hq.nasa.gov/office/oig/hq/ig-03-006.pdf*

Management Letter Recommends Improving NASA Safety Reporting System
In our management letter, *NASA's Continued Need for the NASA Safety Reporting System* (NSRS), issued January 14, 2003, we provided information to the Agency about the NSRS for consideration prior to its making decision to exercise a June 2003 option to extend the NSRS contract. We advised NASA management that the NSRS might duplicate other safety reporting systems. In addition, employees lacked awareness of the system's benefits, and therefore NASA needs to promote the program and provide guidance for consistent administration in order to enhance its use and effectiveness. The Agency's emphasis on reporting safety concerns at the lowest level has resulted in the development of Center-specific, anonymous reporting systems, such as the close call reporting system. Employees can also anonymously report safety hazards through the Ombudsman Program and the Occupational Safety and Health Administration's Complaint Process. As a result, employees are reporting more concerns through the local systems than through the NSRS. We recommended the Office of Safety and Mission Assurance promote the NSRS program at NASA Centers and contractor sites and ensure that personnel understand that the program extends beyond Space Shuttle Program or Headquarters-related safety concerns, and provide guidance to Center personnel to ensure consistent administration of the NSRS. NASA management agreed with our recommendations.

Investigation Results in Implementation of Airplane Parts Inventory
As the result of an OIG administrative investigation, NASA management is developing an action plan to appropriately inventory SR-71 airplanes and parts given to NASA by the U.S. Air Force. Management is working to detail the identity, quantity and location of the parts stored in two warehouses, and determine ownership of the parts. Management also intends to implement a proper disposal plan for the parts and is strengthening access controls over the two warehouses.

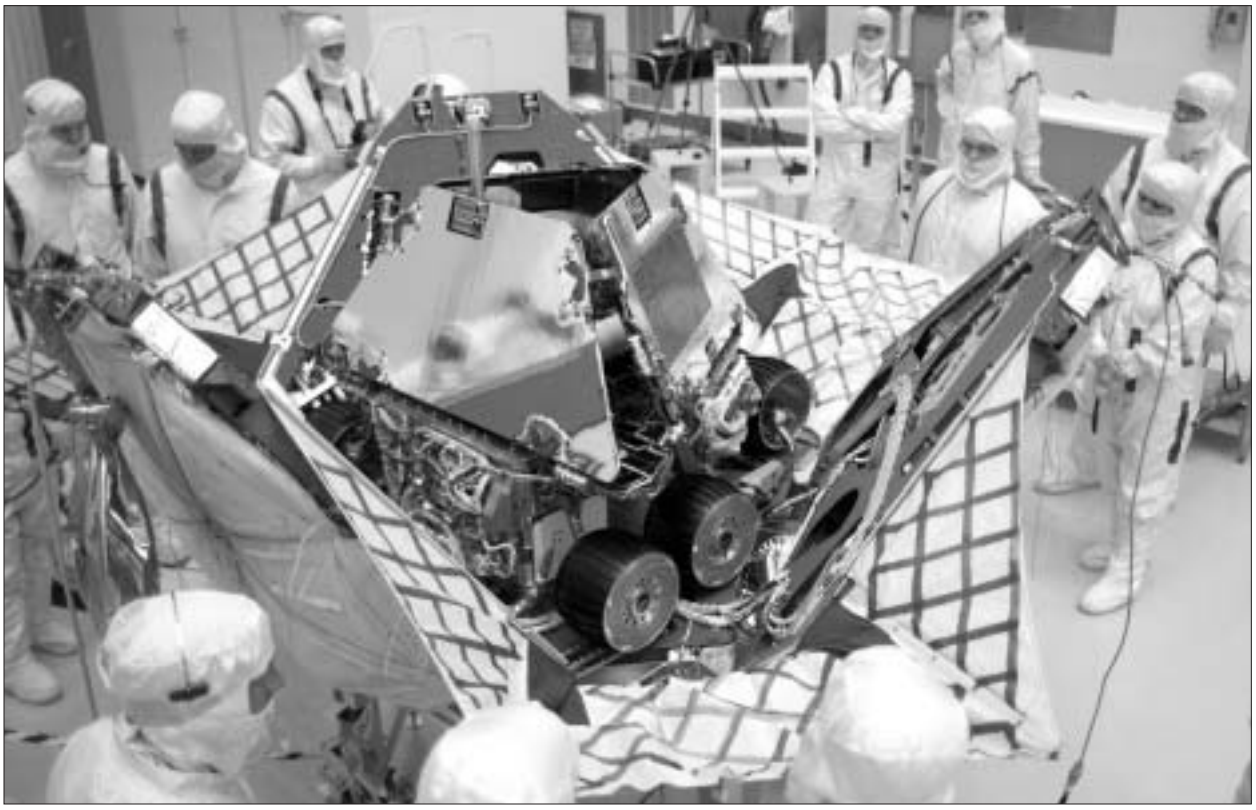
LEGISLATION, LEGAL MATTERS, AND REGULATORY REVIEW

LEGISLATION AND LEGAL MATTERS

During this semiannual period, Congress enacted legislation creating the Department of Homeland Security. Included in the legislation is a provision granting statutory law enforcement authority for IG Special Agents. Previously, our source of law enforcement authority was the IG Act and through special deputation by the U.S. Marshals Service. The statutory authority makes explicit the authority to make arrests and extends it to any offense against the United States, as expressly authorized by the Attorney General. We reviewed the draft guidelines implementing this authority and recommended that the Department of Justice (DOJ) consider a catchall provision concerning use of OIG agents for homeland security-related activities. After the terrorist attacks on September 11, 2001, many OIG agents supported post-attack activities at the request of DOJ. Such a provision would expressly authorize law enforcement assistance from IG organizations.

REGULATORY REVIEW

During this period, we processed 28 NASA and Headquarters directives. Our draft review comments resulted in five directives being withdrawn from processing. To reflect the statutory law enforcement authority provided to the OIG in the Homeland Security Act of 2002, the OIG issued for concurrence a revision to NASA Policy Directive (NPD) 9800.1, *NASA Office of Inspector General Programs*, which also includes a new general policy statement. We nonconcurred with the Agency's draft NPD 1600.1A, *NASA Security Policy*, and NASA Procedures and Guidelines (NPG) 1620.1C, *Security Procedures and Guidelines*.



Mars Exploration Rover 2 will be enclosed within an aeroshell for launch. Scheduled to launch no earlier than June 2003, the two identical rovers will search for evidence of liquid water in two different regions of Mars.

SIGNIFICANT OUTREACH ACTIVITIES

The OIG participates in numerous cooperative activities with the Agency and other government organizations. For instance:

- During this reporting period the OIG attorneys provided input to NASA management on improvements that could be made to the JPL contract before its renewal. Several significant improvements to the JPL contract that become effective at the beginning of FY 2004 include: a new contract clause explicitly recognizing the OIG, requiring full contractor cooperation with OIG activities, and requiring timely referrals to the OIG of suspected criminal activity; incorporation of the clause found at 48 CFR 1852.203-70, requiring contractors to display Inspector General Hotline Posters; a more stringent application of NPG 2810, *Security of Information Technology*; and improved clauses delineating the rights of the parties with respect to records generated or possessed by the contractor, including provisions that will ease access to records by OIG personnel carrying out their official duties. As a result of OIG audit work, NASA also incorporated requirements that software development projects be assessed into the contract to determine whether independent verification and validation is needed.

- The OIG continues to participate in activities of the President's Council on Integrity and Efficiency and lead the IT Roundtable - Working Group for Information Data Systems, leading the review of Federal Agencies' Planning and Assessment Activities for Critical, Physical Infrastructure Assets.

- OIG Special Agents continue to participate in regional Anti-Terrorism Task Force activities around the country and are on call to assist the DOJ.

- OIG staff continues to assist the Inspector General Criminal Investigator Academy in curriculum development and instruction that is provided to all agency OIGs. Our staff periodically teaches courses such as Contract and Grant Fraud Investigations, Undercover Investigations, Technical Investigative Equipment; Noncriminal Investigations, and Electronic Evidence Recognition and Collection.

Astronaut spacewalk in preparation for HST repair mission.

AWARDS AND SPECIAL THANKS

OIG EMPLOYEE RECOGNIZED FOR OUTSTANDING CONTRIBUTION

OIG Special Agent Victor Janezic received a letter of commendation from the Department of Justice for his outstanding work on the civil fraud case against Lockheed Martin/BAE Systems Controls, Inc. The case resulted in a civil fraud recovery for the United States of $6.2 million. The OIG, the Naval Criminal Investigative Service, and the Defense Criminal Investigative Service conducted the investigation. Michael F. Hertz, Director, Commercial Litigation Branch noted that Special Agent Janezic played a significant role in the successful investigation of this matter. His aggressive investigation, diligence, and professionalism contributed significantly to the ultimate, favorable case resolution.

SPECIAL THANKS

Brevard County Sheriff's Office, Brevard County, Florida
The NASA Office of the Inspector General wishes to extend its gratitude and compliments to the exceedingly professional staff at the Brevard County Sheriff's Office (BCSO) in Florida. In a joint anti-terrorism operation with NASA OIG during the days preceding the launch of STS-107, BCSO officers provided personal protection for the seven Columbia astronauts and their visiting families. BCSO also established a secure perimeter at the Cocoa Beach Hilton where visiting Israeli dignitaries and extended family members of Ilan Ramon were lodged prior to the launch. Over 300 agents, deputies and police officers supported over 600 individual responses or taskings in a 3-day period. The NASA OIG deeply appreciates the support provided by Brevard County Sheriff Philip B. Williams and his staff.

The El Toro Task Force, El Toro, California
Special thanks for a job well done are expressed to Special Agents Frederick N. Cosby and James S. Moon, Defense Criminal Investigative Service; Special Agent Angel R. Jimenez, Department of Transportation; Special Agent Joseph A. Cassidy, Air Force Office of Special Investigations; Quality Auditors Salvador Franco, Osvaldo E. Cosme, and James A. Wathen, Defense Contract Management Agency, and Senior Auditor William Ng, Defense Contract Audit Agency, as active participants of the El Toro Task Force (ETTF).

Along with staff from the OIG Office of Investigations, the ETTF specializes in investigating large scale, complex product substitution and false testing investigations involving space, aerospace, and weapon systems applications for NASA and the DOD. Cases currently being worked involve multiple fraud schemes that adversely affect over 65 major NASA/DOD aerospace programs and over 15 commercial jetliner aircraft. The team analyzed an extensive number of witness interviews, more than 50 subpoenas, voluminous seized evidence and subpoenaed records identifying and technically evaluating falsified records. The ETTF then effectively assembled the paper trails to efficiently construct criminal counts for indictment of multiple targets of these investigations. The ETTF also works with government procurement integrity attorneys in establishing evidence for suspension and debarment actions against the targets. The collective efforts of the ETTF members reflect great credit upon themselves, their individual agencies, and to our nation.

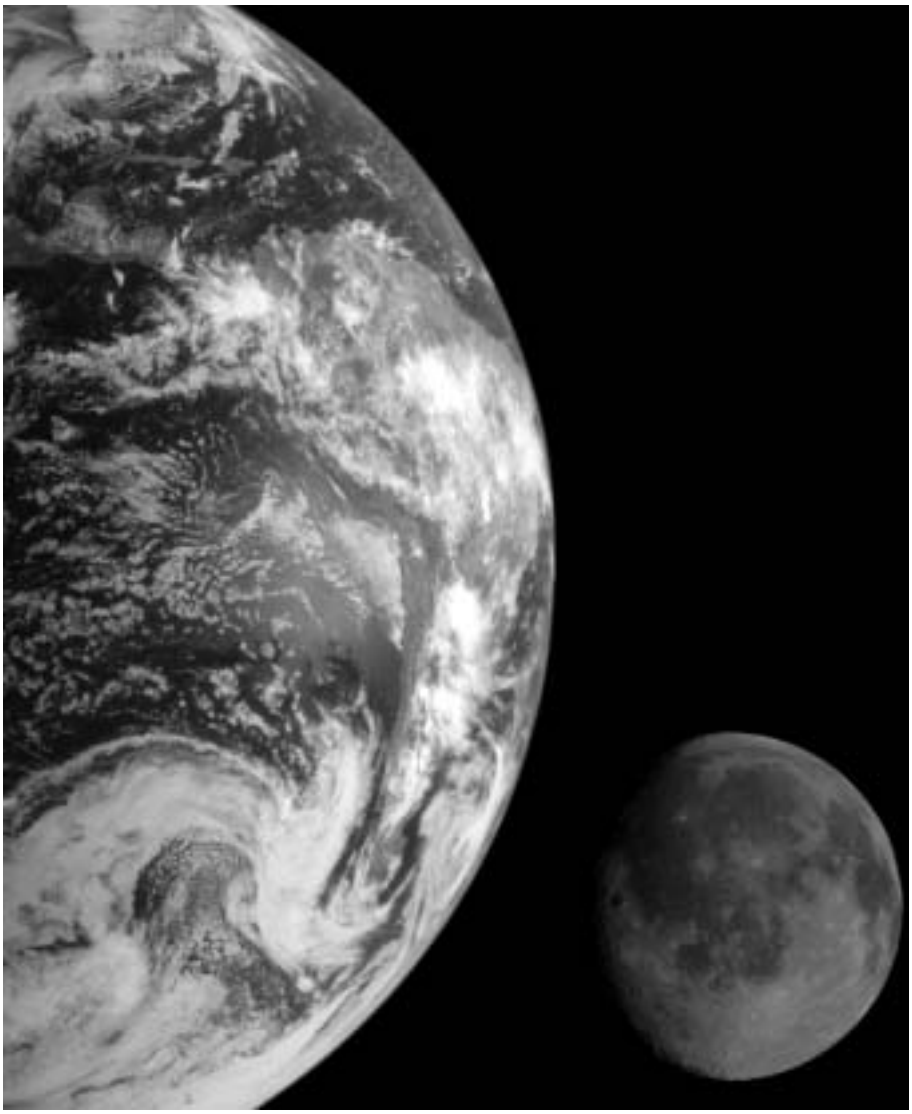
Litigation Recovers Lunar Material

The OIG extends our thanks to Assistant U.S. Attorney James H. Swain and U.S. Customs Service Attorney Jonathan Zwibel for their role in the litigation concerning lunar material illegally imported into the United States.

A moon rock was originally given to the Republic of Honduras as one of many goodwill gifts of moon rocks and other lunar mission mementos given to friendly nations in 1973. Law enforcement agents, in a sting operation aimed at preventing fraudulent moon rock and lunar material sales, seized the moon rock after it had been imported into the United States. The government of Honduras then formally requested the United States to return the moon rock to Honduras.

Through Messrs. Swain and Zwibel's efforts, the United States filed a complaint in Federal court seeking forfeiture of the moon rock on the grounds that it was stolen property introduced into the United States in violation of customs laws. The Federal court found that the government and the people of the Republic of Honduras had not transferred title to the moon rock under Honduran law and the court upheld the forfeiture of the property to the United States.

Goldstone Deep Space Communications Complex.



Images of the Earth and Moon taken from NASA's Galileo spacecraft.

APPENDICES

APPENDIX PAGE

APPENDIX A

INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

IG Act Citation	Cross Reference Requirement Definition	Page Number(s)
Section 4(a)(2)	Review of Legislation and Regulations	14
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	3, 6–16
Section 5(a)(2)	Recommendations for Corrective Actions	3, 6–16
Section 5(a)(3)	Prior Significant Audit Recommendations Yet To Be Implemented	23–24
Section 5(a)(4)	Matters Referred To Prosecutive Authorities	26
Section 5(a)(5) and 6(b)(2)	Summary of Refusals To Provide Information	None
Section 5(a)(6)	OIG Audit Reports Issued—Includes Total Dollar Values of Questioned Costs, Unsupported Costs, and Recommendations That Funds Be Put To Better Use	21
Section 5(a)(7)	Summary of Significant Audit Reports	6–16
Section 5(a)(8)	Table—Total Number of Audit Reports and Total Dollar Value Questioned Costs	22
Section 5(a)(9)	Table—Total Number of Audit Reports and Total Dollar Value Funds Be Put To Better Use	22
Section 5(a)(10)	Summary of Prior Audit Reports for Which No Management Decision Has Been Made	None
Section 5(a)(11)	Description and Explanation of Significant Revised Management Decisions	None
Section 5(a)12)	Significant Management Decisions with Which the Inspector General Disagreed	None

Debt Collection

The Senate Report accompanying the supplemental Appropriations and Rescissions Act of 1980 (Public Law 96-304) requires Inspectors General to report amounts due the agency, and amounts that are overdue and written off as uncollectible.

The Financial Management Division provides this data each November for the previous fiscal year. For the period ended September 30, 2002, the receivables due from the public totaled $10,022,352, of which $1,401,253 is delinquent. The amount written off as uncollectible for the period October 1, 2001, through September 30, 2002, was $92,446.

APPENDIX B

STATISTICAL REPORTS

Table 1—Audit Reports and Impact[1]

Report Number/ Date Issued	Report Title
IG-03-001 10/09/02	Operating System Security and Integrity at [a NASA Center]
IG-03-002 10/16/02	Expendable Launch Vehicle Performance Measures
IG-03-003 10/16/02	NASA Contracts for Professional, Administrative, and Management Support Services
IG-03-004 11/06/02	Operating System Security and Integrity at [a NASA Center]
IG-03-005 11/26/02	Security and Integrity for the Integrated Management Information Computer at [a NASA Center]
IG-03-006 02/13/03	NASA's Monitoring of Contractor Compliance with New Technology Reporting Requirements
IG-03-007 02/19/03	House & Albright, P.C., Audits of Marshall Space Flight Center Exchange Financial Statements for Fiscal Years Ended September 30, 2000, and 2001
IG-03-008 03/03/03	NASA's Reduction of Undefinitized Contract Actions
IG-03-009 03/27/03	Performance Management Related to Agencywide Fiscal Year 2002 Information Technology Security Program Goals
IG-03-011[2] 03/28/03	Independent Verification and Validation of Software
Management Letter 12/23/02	Potential Safety Hazard with the Use of Monel Stem Plugs in High-pressure Liquid Oxygen Valves
Management Letter 01/14/03	Continued Need for the NASA Safety Reporting System
Total Reports Issued	**10**
Total Management Letters Issued	**2**

[1]NASA OIG audits conducted during this period revealed no questioned costs or funds put to better use.

[2]Report Number IG-03-010 was not used.

Table 2—Audits with Questioned Costs

	Number of Audit Reports	Total Costs Questioned
No management decision made by beginning of period	1	$1,800,000
Issued during period	0	0
Needing management decision during period	1	$1,800,000
Management decision made during period:	0	0
Amounts agreed to by management	0	0
Amounts not agreed to by management	0	0
No management decision at end of period:	1	$ 1,800,000
Less than 6 months old	0	0
More than 6 months old	1	$ 1,800,000

Table 3—Audits with Recommendations That Funds Be Put To Better Use

	Number of Audit Reports	Total Costs Questioned
No management decision made by beginning of period	1	$115,000,000
Issued during period	0	0
Needing management decision during period	1	$115,000,000
Management decision made during period:	0	0
Amounts which management agreed to be put to better use:	0	0
Based upon proposed management action	0	0
Based upon proposed legislative action	0	0
Amounts which management disagreed be put to better use		0
No management decision at end of period:	1	$115,000,000
Less than 6 months old	0	0
More than 6 months old	1	$115,000,000

Table 4—Prior Significant Audit Recommendations Yet To Be Implemented

Report Number/ Date Issued	Report Title	Date Resolved	Total Monetary Findings	Number of Recommendations Open	Number of Recommendations Closed	Latest Target/ Closure Date
	NEW SINCE LAST REPORTING PERIOD					
SAFETY AND MISSION ASSURANCE						
IG-02-018 06/24/02	NASA Oversight of United Space Alliance's Safety Procedures at the John F. Kennedy Space Center	06/24/02	*	1	6	04/30/03
INFORMATION TECHNOLOGY						
IG-02-029 09/30/02	NASA's Implementation Activities for Critical Cyber-Based Infrastructure Assets – Phase II	09/30/02	*	1	2	06/30/03
INTERNATIONAL SPACE STATION						
IG-02-024 09/06/02	Barters on the International Space Station Program	09/06/02	*	1	1	04/30/03
PROCUREMENT						
IG-02-017 06/04/02	Management of Research Grants and Cooperative Agreements	06/04/02	*	4	2	09/30/03
LAUNCH VEHICLES						
IG-02-028 09/30/02	Space Launch Initiative: Primary Requirements for a 2nd Generation Reusable Launch Vehicle	09/30/02	*	1	1	10/31/03
	REPORTED IN PREVIOUS SEMIANNUAL REPORTS					
SAFETY AND MISSION ASSURANCE						
IG-99-047 09/22/99	Safety Considerations at Goddard Space Flight Center	09/22/99	*	1	4	07/31/03
IG-01-042 09/28/01	Safety of Lifting Devices and Equipment at Stennis Space Center	11/30/01	*	1	15	05/16/03
INFORMATION TECHNOLOGY						
IG-00-055 09/28/00	System Information Technology Security Planning	12/29/00	*	2	8	05/31/03
IG-00-057 09/28/00	NASA's Planning and Implementation for Presidential Decision Directive 63 – Phase I	09/28/00	*	2	1	06/30/03
IG-00-017 03/21/00	General Controls at Johnson Space Center Mission Control Center	09/30/02	*	2	12	05/30/03

(continued)

Table 4—Prior Significant Audit Recommendations Yet To Be Implemented (Continuation)

Report Number/ Date Issued	Report Title	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target/ Closure Date
				Open	Closed	
IG-01-022 03/30/01	Information Technology Security Planning	03/30/01	*	3	1	07/01/03
IG-01-038 09/27/01	NASA Planning and Implementation of PDD 63- Phase III	09/27/01	*	2	0	06/30/03
IG-02-001 10/25/01	NASA Incident Response Capability	10/25/01	*	1	0	04/30/03
IG-02-003 11/19/01	Audit of Performance Management Related to Agencywide Information Technology (IT) Security Programs Goals	06/03/02	*	2	10	04/30/03
SECURITY IG-02-004 11/19/01	Approval for Accessing IT Systems at [Two NASA Centers]	11/19/01	*	2	4	04/30/03
INTERNATIONAL SPACE STATION						
IG-02-011 03/22/02	International Space Station Spare Parts Costs	03/22/02	*	3	2	06/30/03
PROGRAM AND PROJECT MANAGEMENT						
IG-00-029 03/30/00	X-34 Technology Demonstrator	03/30/00	*	4	12	04/15/03
LAUNCH VEHICLES						
IG-01-003 12/20/00	Audit of Space Shuttle Payloads	10/10/02	*	4	1	06/29/03
IG-01-021 03/30/01	X-37 Technology Demonstrator Project Management	07/23/02	*	2	11	06/30/03
INTERNATIONAL AGREEMENTS						
IG-99-020 03/31/99	NASA Control of Export-Controlled Technologies	03/31/99	*	3	3	04/30/03
IG-00-018 03/23/00	NASA Oversight of Contractor Exports of Controlled Technologies	03/23/00	*	1	1	04/30/03

Table 5—Status of A-133[1] Findings and Questioned Costs Related to NASA Awards[2]		
Total Audits Reviewed		39
Audits with Recommendations		4
Total Disallowed/Questioned Costs		$0
Total Disallowed/Questioned Costs Recovered/Sustained		$0
Recommendations:	Beginning Balance	32
	New Recommendations	4
	Recommendations Dispositioned	0
	Ending Balance	36
Average Age of Recommendations Not Completed		8.2 months

[1]OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, requires Federal agencies to audit non-Federal entities expending Federal awards.

[2]Data prepared by NASA Office of Procurement for the financial reporting period ending March 31, 2003, in accordance with OMB Circular A-50, Audit Followup.

Table 6—Inspections/Assessments Activities[1]	
Activities Opened	6
Activities Closed	12
Activities Pending	6

[1]Includes inspection and assessment reports, special studies, responses to congressional inquiries, and management alerts.

Table 7—Administrative Investigations Activities	
Cases Opened	68
Cases Closed	34
Cases Pending	90
Referred to Management	14
Closed	6
Pending	8
Referred to Criminal Investigations	0

Table 8—Criminal Investigations Activities

Cases Opened	225
Cases Closed	256
Cases Pending	331[1]
Hotline Complaints Received	113
Referred to Audits	0
Referred to Investigations	50
Referred to Inspections	22
Referred to NASA Management	2
Referred to Other Agencies	3
No Action Required	36

[1]Corrected to reflect deletion of two duplicate case openings reported in the semiannual report for the period April 1–September 30, 2002.

Table 9—Criminal Investigations Impact

Indictments/Informations	15
Convictions/Plea Bargains/Pretrial Diversions	15
Cases Referred for Prosecution	28
Cases Referred to NASA Management for Action	22
Cases Referred to Other Agencies for Action[1]	11
Suspensions/Debarments	8
Individuals	5
Firms	3
Administrative Actions	39
NASA Employees	11
Contractor Employees	28
Total Recoveries	$3,873,585
NASA[2]	$ 257,776
NASA Property[3]	$ 100,830
Other[4]	$3,514,979

[1] Includes referrals to State, local, and Federal law enforcement agencies.

[2] Includes administrative recoveries, NASA funds, and contract credits.

[3] The OIG also recovered a priceless lunar sample.

[4] Includes fines, penalties, restitutions, and settlements from criminal and civil investigations, some of which were conducted jointly with other law enforcement agencies.

Table 10—Legal Activities and Reviews

Freedom of Information Act Matters	25
Inspector General Subpoenas Issued	16
Regulations Reviewed	28

APPENDIX C

DCAA AUDITS OF NASA CONTRACTORS

The Defense Contract Audit Agency (DCAA) provides various audit services to NASA on a reimbursable basis. The following summarizes information provided during this period by DCAA on reports involving NASA activities, results of NASA actions on those reports, and significant reports that have not been completely resolved.

DCAA Audit Reports Issued

During the period, DCAA issued 313 audit reports (excluding pre-award contractor proposal evaluations) on contractors who do business with NASA. DCAA also issued 110 reports on audits of NASA contractor proposals totaling $1,422,396,000, which identified cost exceptions totaling about $27,864,000. However, some of DCAA's reported cost exceptions are attributable to unsuccessful contractor proposals that NASA never accepted or relied upon for contract negotiation. Therefore, the actual amount of potential savings to NASA from DCAA's cited costs exceptions in its audit reports is less than the reported total cost exceptions amount.

NASA Actions

Corrective actions taken on DCAA audit report recommendations usually result from negotiations between the contractor and the government contracting officer. The following tables show the number of all DCAA audit reports and amounts of questioned costs and funds put to better use for the reporting period. During this period, NASA management resolved 72 reports with $9,498,000 of questioned costs, and 34 reports with $32,497,000 of funds put to better use. NASA management sustained 81.4 percent of DCAA's questioned costs and 51.8 percent of the funds put to better use.

Columbia sits on Launch Pad 39a before its maiden flight on STS-1. Launch was on April 12, 1981.

Table 11—DCAA Audits with Questioned Costs[1, 2]

	Number of Audit Reports	Total Costs Questioned (in thousands)
No management decision made by beginning of period[3]	307	$175,353
Issued during period	53	$16,976
Needing management decision during period	360	$192,329
Management decision made during period:	72	$9,498
Dollar value of contract recoveries		$7,729
Dollar value of costs not recovered		$1,769
No management decision made by end of period	288	$182,831

[1]Includes forward pricing proposals and operations audits. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for the DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.

[2]Reflects revised DCAA reporting criteria to include all audits with a NASA share ratio, not just those with 100 percent.

[3]Represents beginning FY 2003 amounts adjusted for (a) contracts not awarded, and (b) revised audit findings and recommendations.

Table 12—DCAA Audits with Recommendations That Funds Be Put to Better Use[1, 2]

	Number of Audit Reports	Total Costs Questioned (in thousands)
No management decision made by beginning of period[3]	89	$201,143
Issued during period	31	$ 28,067
Needing management decision during period	120	$229,210
Management decision made during period:	34	$ 32,497
Amounts agreed to by management		$ 16,819
Amounts not agreed to by management		$ 15,678
No management decision made by end of period	86	$196,713

[1]Includes forward pricing proposals and operations audits. Because of limited time between availability of management information system data and legislative reporting requirements, there is minimal opportunity for the DCAA to verify the accuracy of reported data. Accordingly, submitted data is subject to change based on subsequent DCAA authentication.

[2]Reflects revised DCAA reporting criteria to include all audits with a NASA share ratio, not just those with 100 percent.

[3]Represents beginning FY 2003 amounts adjusted for (a) contracts not awarded, and (b) revised audit findings and recommendations.

APPENDIX D

GLOSSARY AND ACRONYMS

GLOSSARY

ADMINISTRATIVE INVESTIGATION
Inquiry involving noncriminal allegations of administrative wrongdoing.

DISALLOWED COST
(The IG Act of 1978 definition) A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

FINAL ACTION
(The IG Act of 1978 definition) The completion of all actions management has concluded, in its decision, that are necessary with respect to the findings and recommendations included in an audit report; and in the event that management concludes no action is necessary, final action occurs when a management decision has been made.

INVESTIGATIVE RECOVERIES
Investigative recoveries are the total dollar value of (1) recoveries during the course of an investigation (before any criminal or civil prosecution); (2) court (criminal or civil) ordered fines, penalties, and restitution; and (3) out-of-court settlements, including administrative actions resulting in non-court settlements.

INVESTIGATIVE REFERRALS
Cases that require additional investigative work, civil or criminal prosecution, or disciplinary action. These cases are referred by the OIG to investigative and prosecutive agencies at the Federal, State, or local level, or to agencies for management or administrative action. An individual case may be referred for disposition in one or more of these categories.

LATEST TARGET/CLOSURE DATE
Management's current estimate of the date it will complete the agreed-upon corrective action(s) necessary to close the audit recommendation(s).

MANAGEMENT DECISION
(The IG Act of 1978 definition) The evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

PROSECUTIVE ACTIVITIES
Investigative cases referred for prosecutions that are no longer under the jurisdiction of the OIG, except for cases on which further administrative investigation may be necessary. This category represents cases investigated by the OIG and cases jointly investigated by the OIG and other law enforcement agencies. Prosecuting agencies will make decisions to decline prosecution, to refer for civil action, or to seek out-of-court settlements, indictments, or convictions. Indictments and convictions represent the number of individuals or organizations indicted or convicted (including pleas and civil judgments).

QUESTIONED COST
(The IG Act of 1978 definition) A cost that is questioned by the OIG because of: (1) alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

QUESTIONED COSTS FOR WHICH A MANAGEMENT DECISION HAS NOT BEEN MADE
Costs questioned by the OIG about which management has not made a determination of eligibility for reimbursement, or about which there remains disagreement between the OIG and management. All agencies have formally established procedures for determining the ineligibility of costs questioned. This process takes time; therefore, this category may include costs that were questioned in both this and prior reporting periods.

RECOMMENDATION RESOLVED
A recommendation is considered "resolved" when (1) management agrees to take the recommended corrective action, (2) the corrective action to be taken is resolved through agreement between management and the OIG, or (3) the Audit Follow-up Official determines whether the recommended corrective action should be taken.

RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE
(The IG Act of 1978 definition) A recommendation by OIG that funds could be more efficiently used if management took actions to implement and complete the recommendation, including: (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (5) avoidance of unnecessary expenditures not in preaward reviews of contract or grant agreements; or (6) any other savings which are specifically identified. (Note: Dollar amounts identified in this category may not always allow for direct budgetary actions, but generally allow the agency to use the amounts more effectively in accomplishment of program objectives.)

UNSUPPORTED COST
(The IG Act of 1978 definition) A cost that is questioned by OIG because OIG found that, at the time of the audit, such cost is not supported by adequate documentation.

ACRONYMS

AIGA	Assistant Inspector General for Audit
BCSO	Brevard County Sheriff's Office
CAIB	Columbia Accident Investigation Board
CFR	Code of Federal Regulations
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
DCAA	Defense Contract Audit Agency
DOD	Department of Defense
DOJ	Department of Justice
ELV	Expendable Launch Vehicle
ETTF	El Toro Task Force
FY	Fiscal Year
GISRA	Government Information Security Reform Act
GPRA	Government Performance and Results Act
IFMP	Integrated Financial Management Program
IG	Inspector General
ITS	Information Technology Security
IV&V	Independent Verification and Validation
JPL	Jet Propulsion Laboratory
NPD	NASA Policy Directive
NPG	NASA Procedures and Guidelines
NPMS	NASA Procurement Management System
NSRS	NASA Safety Reporting System
OA	Office of Audits
OI	Office of Investigations
OIG	Office of Inspector General
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency
P.L.	Public Law
PwC	PricewaterhouseCoopers
UCA	Undefinitized Contract Actions
U.S.	United States

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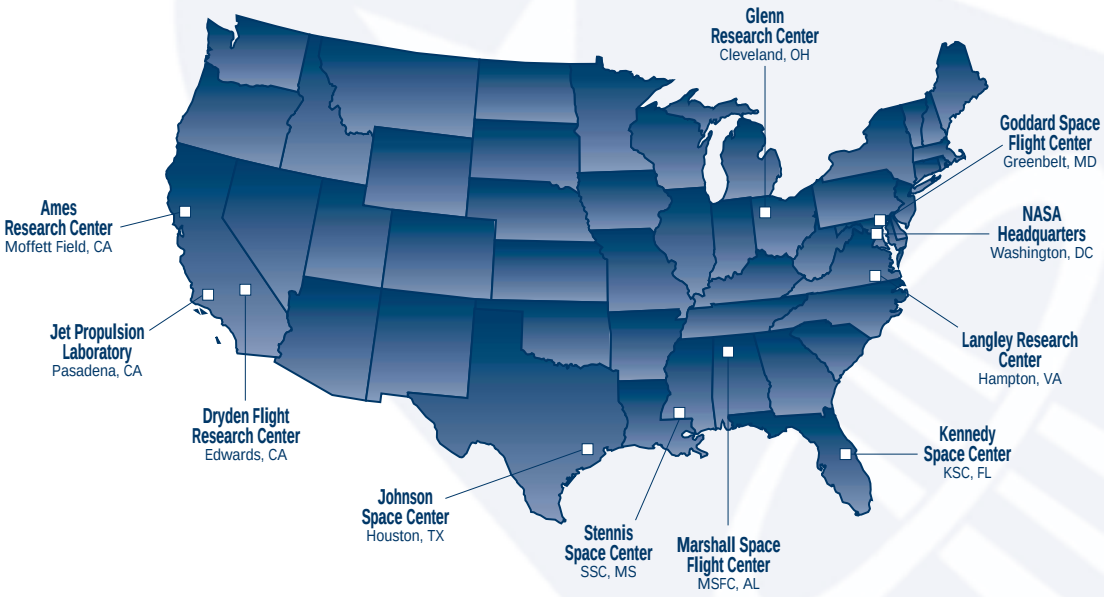

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NP-2003-5-310-HQ