

National Aeronautics and
Space Administration

OFFICE OF INSPECTOR GENERAL

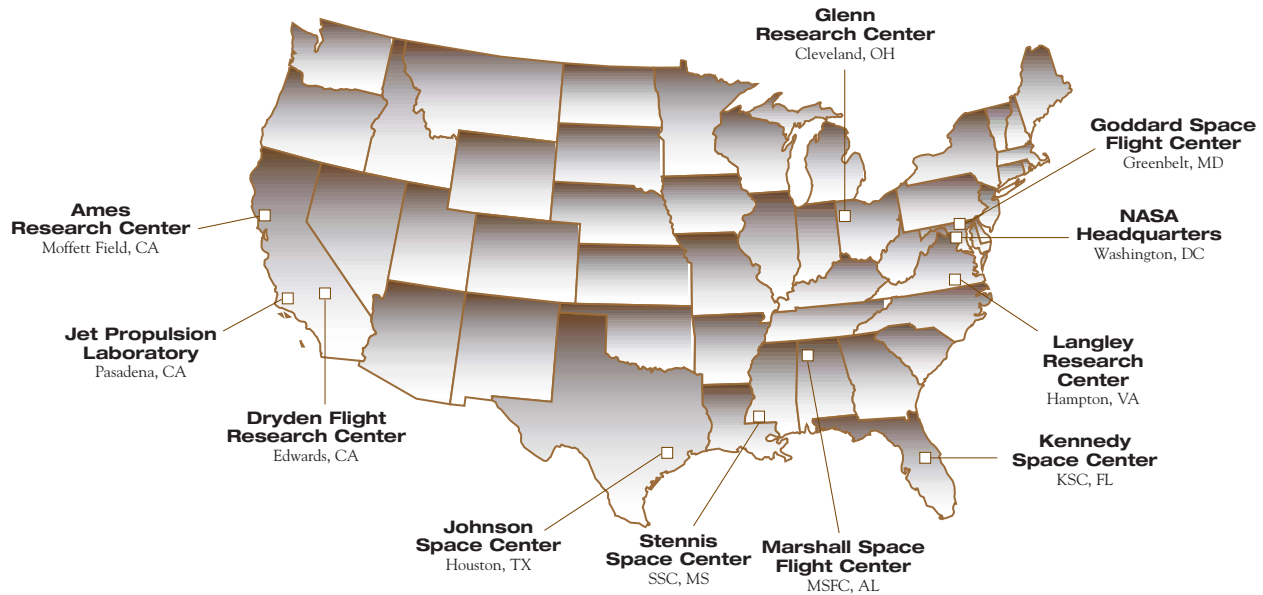


Semiannual Report

October 1, 2003—March 31, 2004

FRONT COVER:

The interior of a crater surrounding the Mars Exploration Rover Opportunity at Meridiani Planum on Mars can be seen in this color image from the rover's panoramic camera. This is the darkest landing site ever visited by a spacecraft on Mars. The rim of the crater is approximately 10 meters (32 feet) from the rover. The crater is estimated to be 20 meters (65 feet) in diameter. Scientists are intrigued by the abundance of rock outcrops dispersed throughout the crater, as well as the crater's soil, which appears to be a mixture of coarse gray grains and fine reddish grains.



OFFICE LOCATIONS OF THE NASA INSPECTOR GENERAL

NASA Office of Inspector General

Code W
 NASA Headquarters
 Washington, DC 20546-0001
 Tel: 202-358-1220

Ames Research Center

NASA Office of Inspector General
 Mail Stop 204-11
 Ames Research Center
 Moffett Field, CA 94035-1000
 Tel: 650-604-5665

Goddard Space Flight Center

NASA Office of Inspector General
 Code 190
 Goddard Space Flight Center
 Greenbelt, MD 20771-0001
 Tel: 301-286-0497
 Audits/Investigations: 301-286-9316
 Trenton, NJ, Post of Duty
 Tel: 609-656-2543

Jet Propulsion Laboratory

Audits
 NASA Office of Inspector General
 Mail Stop 180-300
 Jet Propulsion Laboratory
 4800 Oak Grove Drive
 Pasadena, CA 91109-8099
 Tel: 818-354-9743

Investigations
 NASA Office of Inspector General
 Western Field Office
 Glenn Anderson Federal Building
 501 West Ocean Boulevard
 Suite 5120
 Long Beach, CA 90802-4222
 Tel: 562-951-5480

Dryden Post of Duty

Tel: 661-276-3723

John H. Glenn Research Center at Lewis Field

NASA Office of Inspector General
 Mail Stop 501-9
 Glenn Research Center
 Cleveland, OH 44135-3191
 Tel: 216-433-5413 Audits
 216-433-2364 Investigations

Lyndon B. Johnson Space Center

Audits
 NASA Office of Inspector General
 Code W-JS
 Lyndon B. Johnson Space Center
 Houston, TX 77058-3696
 Tel: 281-483-0735

Investigations
 NASA Office of Inspector General
 W-JSC
 416 South Room 121
 Lyndon B. Johnson Space Center
 Houston, TX 77058-3696
 Tel: 281-483-8427

Langley Research Center

Audits
 NASA Office of Inspector General
 Mail Stop 292
 Langley Research Center
 Hampton, VA 23681-2199
 Tel: 757-864-8500

Investigations
 NASA Office of Inspector General
 Office of Investigations
 Mail Stop 205
 Langley Research Center
 Hampton, VA 23681-2199
 Tel: 757-864-3262

John F. Kennedy Space Center

NASA Office of Inspector General
 Mail Stop KSC/OIG
 John F. Kennedy Space Center
 Kennedy Space Center, FL 32815-0001
 Tel: 321-867-4719 Audits
 321-867-4714 Investigations

George C. Marshall Space Flight Center

NASA Office of Inspector General
 Mail Stop M-DI
 George C. Marshall Space Flight Center
 Marshall Space Flight Center, AL
 35812-0001
 Tel: 256-544-9188

Michoud Post of Duty
 Tel: 504-257-2651

Stennis Space Center

NASA Office of Inspector General
 Building 3101, Room 119
 Stennis Space Center, MS 39529
 Tel: 228-688-2255 Audits
 228-688-2888 Investigations

Web Site Address:

<http://www.hq.nasa.gov/office/oig/hq/>

Cyber Hotline:

<http://www.hq.nasa.gov/office/oig/hq/hotline.html>

Toll-Free Hotline: 1-800-424-9183 or
 TDD: 1-800-535-8134

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FROM THE INSPECTOR GENERAL

This reporting period has been a time of continued transition for NASA and the NASA Office of Inspector General. While NASA rightfully celebrates its successful robotic Mars exploration, the Agency continues to face major challenges. NASA appears to be making substantial progress in implementing the Columbia Accident Investigation Board's technical return-to-flight recommendations, but it is lagging in addressing the Board's organizational and safety recommendations. Moreover, during this period, the Agency is totally reliant on its international partners to sustain the Nation's investment in the International Space Station and continued human space flight. NASA's disclaimed financial audit and issues with implementing the Integrated Financial Management Program reflect the difficulties associated with the financial management of this complex agency. In the NASA Office of Inspector General, we will continue to do our best to help the Agency meet these and the other challenges it faces by providing independent investigations, analysis, and insight.



Robert W. Cobb
Inspector General

During this critical time in NASA's history, a primary focus of the Office of Inspector General has been to provide NASA with timely input through our return-to-flight audit activities. We have benefited from the full cooperation of NASA management, and we continue to have an ongoing dialogue with NASA regarding the implementation of the Columbia Accident Investigation Board's engineering and safety recommendations and other return-to-flight recommendations.

Since October 2003, we have initiated 14 return-to-flight audits that involve organizational, technical, and contract oversight issues. In connection with these audit activities, we have commented, both formally and informally, on the Agency's progress. We anticipate issuing individual reports as audits are completed as well as a comprehensive report on the status of return-to-flight activities in the fall of 2004. We also communicate frequently with the Return To Flight Task Group and congressional staff on these issues.

In an effort to improve our ability to assess technical issues, such as the redesign of bolt catchers and training for the Shuttle Mission Management Team, we have sought increased technical expertise for our Office of Audits. We hired three aerospace engineers, had a member of the Columbia Accident Investigation Board support staff detailed to us from the United States Air Force, and contracted with a consulting firm to provide engineering services on relevant technical audits.

We continue to conduct audits and investigations that provide value to NASA and the American taxpayer. For example, as a result of one of our reviews, NASA terminated a cooperative agreement freeing nearly \$1.5 million in funds that could be put to better use. Another audit activity provided an analysis of the Space Shuttle Flight Operations Contract fee award system that prompted management to reconsider how it will communicate such information to the contractor.

Through our investigations, we continue to aggressively pursue instances of contractor fraud including manufacturing and delivering defective parts and issuing false certifications. The results of several successful criminal prosecutions are provided in this report. While some investigations we conducted did not result in criminal prosecutions, we were able to provide NASA management with recommendations for improvements in Agency administration.

Many of the criminal investigations we conduct point toward systemic failures of internal controls within NASA. Because of this, we are placing an emphasis on ensuring that our Office of Investigations is working closely with subject matter experts in the Office of Audits. This integration of disciplines is intended to enhance our ability to provide the Agency with timely information, observations, and recommendations on systemic issues involving procurement, safety, and information technology.

In January 2004, the independent auditor conducting NASA's audit pursuant to the Chief Financial Officer Act and under our direction, determined that it could not render an opinion on NASA's financial statements for fiscal year 2003. The disclaimer resulted from NASA's inability to provide the auditor with sufficient evidence to support the financial statements and complete the audit within timeframes established by the Office of Management and Budget. Many of the weaknesses disclosed by the audit stemmed from NASA's conversion during fiscal year 2003 from 10 separate systems to a single integrated financial management program. NASA faces enormous challenges in improving its financial management program and has established a high-level improvement plan to address the challenges. We will actively monitor the Agency's progress in identifying the detailed steps necessary to accomplish the plan and the effectiveness of its overall efforts in improving financial management.

This report fairly summarizes the activities of the NASA Office of Inspector General during the reporting period.

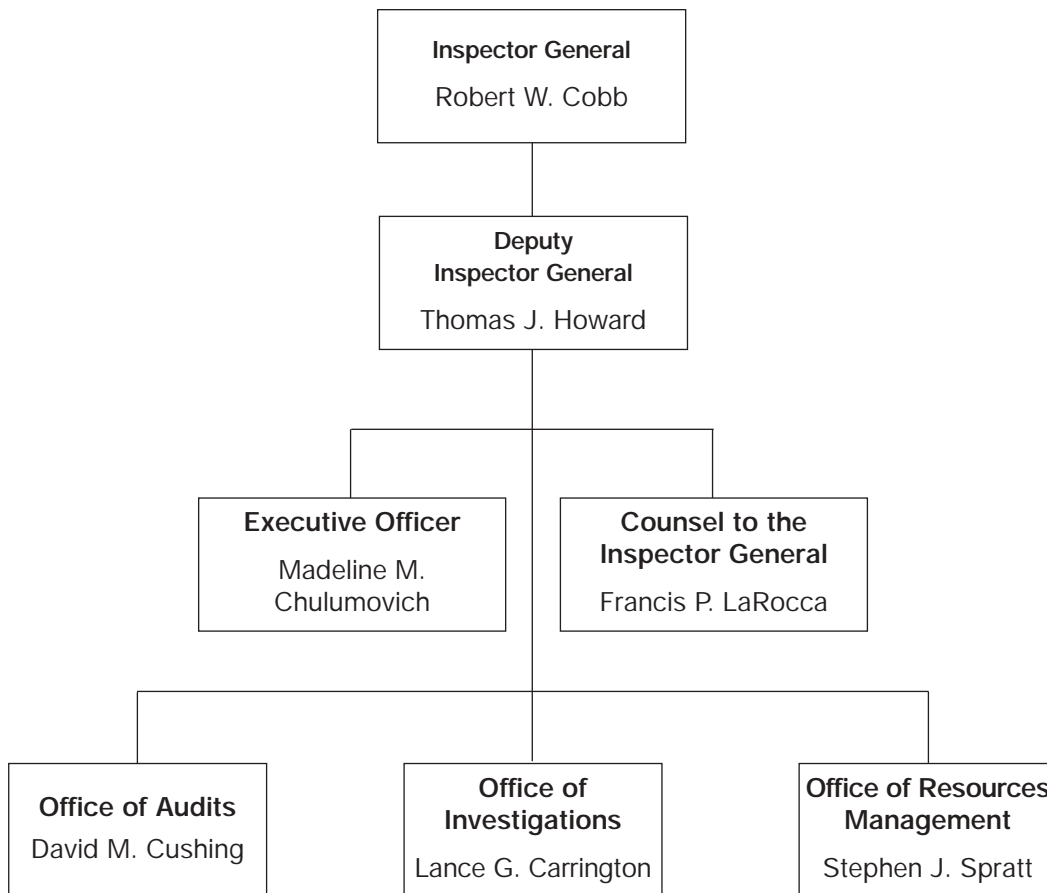


Robert W. Cobb
Inspector General

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 fiscal year (FY) 2004 budget of \$27.3 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 and investigative 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 internal and external entities.

THE OFFICE OF AUDITS (OA) conducts independent audits and other reviews designed to improve NASA programs, projects, operations, and contractor activities. 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 work performed under contract with independent firms and 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 that will correct crime-conducive conditions at NASA. The OI's Computer Crimes Division (CCD) performs criminal cyber investigations in response to attacks against NASA's information technology systems and criminal misuse of NASA computers. The CCD also performs electronic forensic analysis and conducts research and development of computer media for national law enforcement purposes. The OI's Administrative Investigations Unit (AIU) investigates noncriminal matters involving NASA's civil service and contractor employees.

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

OIG RETURN-TO-FLIGHT ACTIVITIES

On August 26, 2003, the Columbia Accident Investigation Board (CAIB) published its report on the Space Shuttle Columbia accident. The CAIB made 29 recommendations to NASA and intended the recommendations as a catalyst for changing NASA's culture. Fifteen of the recommendations are short-term/return-to-flight (RTF) recommendations focusing on changes that must occur before the Shuttle can return to flight.

In light of the critical importance of the Agency's RTF activities, the OIG dedicated significant audit resources to reviewing NASA's plans for responding to the CAIB report. To enhance our analytic capabilities in those areas, we are recruiting staff with backgrounds in science, engineering, and other technical disciplines.

RTF and CAIB-Related Activities

In December 2003, we issued a memorandum, *Comments on Proposed Options for NASA's Implementation of Columbia Accident Investigation Board Recommendations 7.5-1 and 7.5-2*, in which we expressed our observations related to how the Agency plans to implement the independent engineering and safety organizations as recommended by the Columbia Accident Investigation Board. We also conducted an audit, *Columbia Accident Investigation Board (CAIB) Financial and Procurement Management*, of the CAIB's cost control processes. This audit found that controls were in place that would ensure costs were reasonable and necessary and that contracts were in accordance with Federal regulations. However, we did recommend that NASA seek a voluntary refund of \$30,563 for an overpayment to the CAIB's primary support contractor. The complete report can be found at <http://www.hq.nasa.gov/office/oig/hq/ig-04-013.pdf>.

We initiated 12 audits and reviews of other NASA CAIB and RTF activities. For instance, we are reviewing safety issues such as the solid rocket booster bolt catchers and the external tank thermal protection system debris shedding. We also have ongoing reviews of the Shuttle flight scheduling, orbiter wiring, and NASA's actions to implement CAIB recommendations regarding the Shuttle's imaging system. We currently have nine planned projects to review issues such as NASA's actions to implement CAIB recommendations related to reinforced carbon-carbon, Space Shuttle recertification, and contingency planning for loss of an orbiter in the future. Our active projects are summarized on the NASA OIG Web site at <http://www.hq.nasa.gov/office/oig/hq/actproj.html>. Our planned projects are summarized at <http://www.hq.nasa.gov/office/oig/hq/plannedaud.html>.

SIGNIFICANT AUDITS AND INVESTIGATIONS

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. There are, however, many other NASA programs that also require substantial attention to risk mitigation. The Agency is committed to an operational environment where safety is a top priority, and OIG audits and investigations are directed toward the goal of improving safety at NASA.

Safe Use of Pressure Systems at Stennis

The OIG has conducted a series of audits at Stennis Space Center (Stennis) that have identified weaknesses in the management of pressure vessels and pressurized systems (PV/S). In addition to the report summarized below, we previously reported: (1) weaknesses in Stennis' management of a \$2.5 million contract for 26 high-pressure valves resulted in late deliveries, increased costs, and the acceptance of defective valves that delayed engine testing, and (2) a potential safety hazard with some high-pressure liquid oxygen valves used in PV/S systems at Stennis. The following report is available on the Web at <http://www.hq.nasa.gov/office/oig/hq/ig-04-011.pdf>.

During this period, we issued an audit report, *Stennis Space Center's Pressure Vessel and Pressurized System Program Needs Significant Improvements* (IG-04-011). The PV/S Program supports rocket propulsion test services to NASA, other Government agencies, and the commercial propulsion development community. The pressure systems needed for operating Stennis's program handle hazardous gaseous and/or liquid materials (such as hydrogen, oxygen, nitrogen, helium, air). Stennis did not follow NASA requirements and guidelines for recertifying, maintaining and repairing, and documenting its PV/S to ensure safe and reliable operation. Because the Pressure Systems Manager reported directly to the Propulsion Testing Directorate, the manager lacked authority to suspend testing to perform those functions. As a result of our audit, the Center changed its pressure systems management structure, appointing a Pressure Systems Manager within the Center Operations Directorate to ensure authority to suspend testing when necessary. Also, Stennis is developing a risk-based inspection approach to pressure vessel management.

PROCUREMENT

Approximately 90 percent of NASA's budget is expended through contracts and other procurement tools. The NASA OIG through its audits and investigations seeks to prevent and detect procurement fraud and to identify areas in the Agency's procurement practices that need improvement.

NASA's Space Flight Operations Contract's Incentive/Award Fee Structure

The following report is available on the Web at <http://www.hq.nasa.gov/office/oig/hq/ig-04-014.pdf>.

We conducted an audit of NASA's Space Flight Operations Contract (SFOC) incentive/award fee structure. The purpose of the audit, *Audit of Incentive/Award Fee Structure Under Space Flight Operations Contract* (IG-04-014), was to determine whether the incentive/award fee structure of the SFOC was conducive to safe Shuttle operations. While we were unable to reach a conclusion on whether the fee structure of the SFOC was conducive to safe Shuttle operations, we did make two observations relating to management of the award fee process. These observations dealt with: (1) shifts in the Agency's weighting of the "operational safety" and "quality" award fee evaluation factors, and (2) changes in the communication of award fee evaluation criteria to United Space Alliance. In response to our report, the Deputy Associate Administrator for International Space Station and Space Shuttle Programs directed that the Shuttle Program provide a plan that would ensure the award fee criteria are communicated consistently and with continuity to the SFOC contractor.

Deficiencies in Girvan Institute of Technology Cooperative Agreement

The following report is available on the Web at <http://www.hq.nasa.gov/office/oig/hq/ig-04-010.pdf>.

Our review, *Review of the Girvan Institute of Technology Cooperative Agreement* (IG-04-010), at the Ames Research Center (Ames), disclosed major deficiencies in NASA's award process including circumventing competition and awarding the agreement non-competitively based on an invalid unsolicited proposal. Also, NASA did not provide sufficient financial oversight for the Agreement. Without adequate analyses to ensure that the cost to the Government was fair and reasonable, NASA increased its share of Agreement funding by more than 1,000 percent, from \$600,000 to \$6.9 million. As a result of our findings and recommendations, Agency management determined that it was in the Government's best interest to terminate the Agreement, resulting in funds put to better use of nearly \$1.5 million.

Contract Actions Citing "Unusual and Compelling Urgency" Need Improvement

The following report is available on the Web at <http://www.hq.nasa.gov/office/oig/hq/ig-04-007.pdf>.

Our audit, *Review of Sole-Source and Limited Competition Contract Actions Citing "Unusual and Compelling Urgency"* (IG-04-007), found that while the majority of the contract actions we reviewed were appropriate, two NASA Centers (Ames and Glenn Research Center [Glenn]), can better justify and manage their use of the urgency exception, which states, "...when the agency's need for supplies or services is of such an unusual and compelling urgency that the Government would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bid and proposals, full and open competition need not be provided for."

Of the 20 sole-source and limited competition contract actions we reviewed at Ames and Glenn, 4 did not contain adequate justification in accordance with the FAR and NASA FAR Supplement to use the urgency exception. Consequently, NASA has less assurance that it received fair and reasonable prices for those actions, which had a total value of \$8.5 million. NASA took action in response to our recommendations to: (1) increase the procurement and technical program community's awareness of Federal and Agency regulations and procedures for limited competition procurements, (2) plan more effectively for procurements, and (3) ensure that justifications are appropriate and are documented.

Additional Cost Recovery Realized

Following the recovery of \$7.1 million in June 2003 for excessive lease costs charged to NASA by a major contractor at Johnson Space Center, the Government realized an additional recovery of \$428,195 for unallowable related legal costs and interest. This recovery was based on supporting audit work performed by the Defense Contract Audit Agency.

Three Companies Reach Settlement Agreements

Separate settlement agreements were reached with three companies in the amounts of \$257,119, \$259,000, and \$44,927, respectively. One company allegedly provided defective, non-compliant circuit boards to the Government, another company supplied substandard welding gas to the NASA Michoud Assembly Facility, and a third company reimbursed NASA \$44,927 as repayment of overcharges.

Company President Pleads Guilty to Making Illegal Campaign Contributions

An OIG investigation disclosed that a NASA contractor reimbursed employees for campaign contributions to a candidate for the U.S. Senate. The president of the company pled guilty and received probation and a \$25,000 fine.

Two Former Employees of a NASA Contractor Plead Guilty to Tax Evasion

An OIG investigation disclosed that two former contractor employees failed to report income received from a company they established to collect payments on numerous false invoices for work not performed.

Aircraft Repair Company's Chief Executive Officer Sentenced

As the result of an OIG investigation into falsely certified repair work on aircraft engine combustion chambers, the company's Chief Executive Officer (CEO) pled guilty to nine counts of false statements and one count of mail fraud. The CEO was sentenced to 8 months in prison, 3-years probation, and fined \$15,000.

FINANCIAL MANAGEMENT

To fully comply with Office of Management and Budget (OMB) Circular A-127, "Financial Management Systems," NASA established the Integrated Financial Management Program (IFMP). NASA has been faced with challenges in developing and implementing the IFMP, specifically in producing accurate and timely information that supports operating, budget, and policy decisions. Improved financial performance and accountability continues to be a management challenge for NASA. The OIG will continue to review NASA's progress in this area and make recommendations to Agency management consistent with sound fiscal management.

Fiscal Year 2003 Financial Statement Audit Oversight

The Inspector General's letter and the Independent Auditor's report can be found in NASA's Performance and Accountability Report, beginning on page 186, at http://ifmp.nasa.gov/codeb/docs/NASA_FY2003_PAR.pdf.

During 2003, NASA implemented the Core Financial Module of the IFMP to replace 10 separate legacy accounting systems. The OIG selected the independent certified public accounting firm, Pricewaterhouse-Coopers LLP (PwC) to audit NASA's financial statements. PwC disclaimed an opinion on NASA's FY 2003 financial statements because significant weaknesses existed in the overall control environment. Specifically, PwC found the following four material weaknesses in internal controls: (1) ability to provide documentation and an audit trail that supports the financial statements; (2) controls reconciling Fund Balance with Treasury; (3) financial statement preparation; and (4) controls over property, plant, and equipment. NASA was unable to provide PwC with sufficient evidence that supported the financial statements and complete their audit within the timeframes OMB established. Weaknesses were also found in security controls over NASA's financial management systems.

NASA Addressing the Challenge of Implementing IFMP and Full Cost Management

Our audit, *Integrated Financial Management Program (IFMP) Budget Formulation Module* (IG-04-017), found that implementation of the final component necessary for NASA to implement full cost management, the budget formulation module (BFM), will be delayed until FY 2006. We recommended that the NASA IFMP Program Executive: (1) ensure that integral users be identified and involved at the earliest stages of design and functionality for all future IFMP projects; (2) direct that the BFM project management work closely with NASA Headquarters enterprise personnel to ensure that the BFM will meet enterprise needs; (3) include and fully test the requirements for data integrity business checks, full system traceability, restricted access to embargoed data, system response time, and on-line quick reference tool functions; and (4) ensure that the BFM document repository system contains adequate security and functionality so the Agency could eliminate the legacy data document warehouse system. Management acted on all our recommendations.

INFORMATION TECHNOLOGY SECURITY

NASA management has implemented several information technology (IT) security improvements, and more initiatives are planned that may significantly enhance NASA's IT security posture. However, OIG IT security reviews continue to find that the Agency needs to improve controls over its information systems and compliance with its IT security requirements. Consequently, 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. During this period, we issued nine reports designed to improve Agency IT security. These reports are not publicly available due to the sensitivity surrounding IT security vulnerabilities.



The Space Infrared Telescope Facility launched from Cape Canaveral Air Force Station in Florida on Monday, August 25, 2003.

REGULATORY REVIEW

During this reporting period, we reviewed and commented on 19 NASA and Headquarters directives. Three directives were of significance to the OIG: (1) draft of NASA Policy Directive (NPD) 2810.1.C, *NASA Information Security*; (2) the revised NPD 9800.1, *NASA Office of Inspector General Programs*; and (3) the *Security Management and Safeguards Mission Statement*.



Image captured by the Spitzer Infrared Space Telescope: Resembling a flaming creature on the run, this image exposes the hidden interior of a dark and dusty cloud in the emission nebula IC 1396. Young stars previously obscured by dust can be seen here for the first time.

SIGNIFICANT OUTREACH ACTIVITIES

We recognize that visibility and communication within the larger community promote the OIG as an advocate for NASA personnel, Congress, and the taxpayer. Furthermore, the OIG seeks to maximize the benefits of its activities by conveying through outreach knowledge, experience, and lessons learned. During this reporting period, the Inspector General has engaged in a number of significant outreach efforts.

- In conjunction with activities commemorating the 25th Anniversary of the Inspector General Act, on October 14, 2003, the Inspector General was interviewed on C-SPAN about the role of Inspectors General. He answered questions from the television audience about issues pertaining to NASA.
- On December 3, 2003, the Inspector General addressed NASA procurement professionals at the NASA Procurement Training Conference. Among other topics, the Inspector General discussed procurement fraud "red flag" indicators and available courses of action.
- The Inspector General also participated on a panel hosted by the U.S. General Accounting Office. The panel was comprised of acquisition experts from government and academia and discussed significant acquisition issues facing the acquisition community.
- The Inspector General participated in panel discussions, including a panel on corporate ethics at the Space Foundation's "Space at the Crossroads" conference on February 18, 2004. He was also a panelist for a discussion on "The Inspector General Viewpoint" at a conference of the National Council of University Research Administrators.
- At a congressional roundtable discussion on March 19, 2004, the Inspector General gave his views and input on NASA's plans to address organizational problems identified by the Columbia Accident Review Board.
- The Inspector General chairs the President's Council on Integrity and Efficiency Information Technology Roundtable. In October 2003, the OIG hosted a workshop on evaluating wireless networks, and in February 2004, more than 100 OIG representatives attended our workshop on Federal Information Security Management Act (FISMA) best practices.
- In March 2004, the OIG gave a peer-to-peer presentation on wireless networking at the Inspectors General 2004 Retreat.
- During this reporting period, we conducted a quality control review of the audit operations of the Department of Treasury OIG. We will issue an opinion report and a letter of comments to Treasury OIG for their consideration in improving their audit internal quality control system.

AWARDS AND SPECIAL THANKS

AWARDS

OIG Employees Recognized for Outstanding Contributions

In November 2003, Special Agent Lance G. Carrington, Assistant Inspector General for Investigations, received the Headquarters Equal Opportunity Achievement Award, an award for his leadership in equal opportunity at NASA.



Pictured from left to right: Sean O'Keefe, NASA Administrator; Special Agent Lance G. Carrington; and James L. Jennings, Associate Deputy Administrator for Institutions & Asset Management



Special Agent
Keith A. Karnetsky

In December 2003, the Honorable Ms. Debra W. Yang, U.S. Attorney, Central District of California, Los Angeles, recognized Special Agent Keith A. Karnetsky for the distinguished service that he provided to the U.S. Department of Justice during calendar year 2003.

SPECIAL THANKS

Angela Debro, Criminal Assistant U.S. Attorney for the Northern District of Alabama, was instrumental in investigations and prosecutions of several theft and procurement frauds occurring at the Marshall Space Flight Center, Alabama. We commend Ms. Debro's tireless efforts in combating crimes against NASA.

Pictured from left to right: AUSA Angela Debro with Special Agent Lance G. Carrington, Assistant Inspector General for Investigations



Pictured from left to right: Special Agent Lance G. Carrington, Assistant Inspector General for Investigations; U.S. Attorney John Bell; U.S. Attorney for the Northern District of Alabama, Alice H. Martin; and Special Agent John H. Corbett

John Bell, Civil Assistant U.S. Attorney for the Northern District of Alabama, was recognized by the OIG for his efforts in obtaining a settlement in a False Claims Act case against a NASA contractor. Mr. Bell continues to seek several False Claims Act judgments against NASA contractors. We commend Mr. Bell for his professionalism and dedication to protecting NASA interests.

APPENDICES

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APPENDIX A

INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

Inspector General Act Citation	Requirement Definition	Cross Reference Page Number(s)
Section 4(a)(2)	Review of Legislation and Regulations	11, 22
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	2-3, 6-10
Section 5(a)(2)	Recommendations for Corrective Actions	2, 6-10
Section 5(a)(3)	Prior Significant Audit Recommendations Yet To Be Implemented.	20
Section 5(a)(4)	Matters Referred To Prosecutive Authorities	22
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	17
Section 5(a)(7)	Summary of Significant Audit Reports	6-10
Section 5(a)(8)	Total Number of Audit Reports and Total Dollar Value Questioned Costs.	19
Section 5(a)(9)	Total Number of Audit Reports and Total Dollar Value Funds Be Put To Better Use	19
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, 2003, the receivables due from the public totaled \$4,413,048, of which \$3,150,092 is delinquent. The amount written off as uncollectible for the period October 1, 2002, through September 30, 2003, was \$281,646.

APPENDIX B

STATISTICAL REPORTS

Table 1—Audit Reports and Impact		
Report Number/ Date Issued	Report Title	Impact
Safety		
IG-04-011 02/04/04	Stennis Space Center's Pressure Vessel And Pressurized System Program Needs Significant Improvements	Identified actions needed to minimize potential safety hazards with pressure vessels and pressurized systems
IG-03-019 12/08/03	Comments on Proposed Options for NASA's Implementation of the Columbia Accident Investigation Board Recommendations 7.5-1 and 7.5-2	Drew attention to NASA's responsiveness to engineering and safety organizational recommendations of the CAIB
Procurement		
IG-04-007 01/08/04	Review of Sole Source and Limited Competition Contract Actions Citing "Unusual and Compelling Urgency"	Improve justification for and management of the urgency exception at two NASA Centers
IG-04-010 02/09/04	Review of Girvan Institute of Technology Cooperative Agreement	Identified \$1,471,799 in funds put to better use
IG-04-014 03/23/04	Audit of Incentive/Award Fee Structure Under the Space Flight Operations Contract	Agency acted to improve management of the contract award fee process
Financial Management		
IG-04-013 03/16/04	Internal Controls Over Columbia Accident Investigation Board (CAIB) Costs	Ensure financial and procurement management controls are an integral part of future NASA major mishap investigation boards; seek a voluntary refund of \$30,563 for an overpayment to the CAIB's primary support contractor
IG-04-017 03/30/04	Integrated Financial Management Program Budget Formulation Module	Improved security and data integrity controls
Information Technology		
IG-04-001 11/03/03	Security and Integrity Controls at [a NASA Center]	Improved security and data integrity controls
IG-04-002 12/01/03	Assessment of Wireless Network Security at [a NASA Center]	Develop, implement, and enforce appropriate policies for future wireless networks
IG-04-004 12/12/03	Information Category Designations for NASA Systems	Reduce the potential for misinterpretations and misclassifications

Table 1—Audit Reports and Impact (continued)

Report Number/ Date Issued	Report Title	Impact
IG-04-005 12/31/03	Information Assurance Controls at [a NASA Center]	Improved internal control weaknesses
IG-04-008 12/31/03	Information Assurance Controls at [a NASA Center] Need Improvement	Improve compliance with requirements and system, program, and data security and integrity
IG-04-009 02/02/04	Information Assurance Controls at [a NASA Center] Need Improvement	Decreased the risk of unauthorized access and compromises
IG-04-012 02/20/04	Information Assurance Controls at [a NASA Center] Need Improvement	Improve compliance with requirements and system, program, and data security and integrity
IG-04-015 03/26/04	Assessment of Information Technology Security in a NASA Program	Improved security
IG-04-016 03/31/04	Financial Project Information Technology Security Planning and Implementation	Improved system, program, and data security and integrity
Quality Control Reviews		
IG-04-003 11/21/03	Gomersall and Associates Inc., Audits of John H. Glenn Research Center Exchange Financial Statements for Fiscal Years Ended September 30, 2000, and 2001	Certified Public Accountant audit work complied with standards but action needed to provide timely statements and response to audit findings
IG-04-006 12/22/03	Moore, Stephens, and Apple Audit of the Ohio Space Institute for the Fiscal Year Ended June 30, 2002	Certified Public Accountant audit work complied with standards
Total Reports Issued	17	
Total Letters Issued	1	
Total Audit Dollar Impact	\$ 30,563 Questioned Costs \$1,471,799 Funds Put to Better Use	

Table 2—Audits with Questioned Costs

	Number of Audit Reports	Total Costs Questioned
No management decision made by beginning of period	0	0
Issued during period	1	\$30,563
Needing management decision during period	1	\$30,563
Management decision made during period:	1	\$30,563
Amounts agreed to by management	1	\$30,563
Amounts not agreed to by management	0	0
No management decision at end of period:	0	0
Less than 6 months old	0	0
More than 6 months old	0	0

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	0	0
Issued during period	1	\$1,471,799
Needing management decision during period	1	\$1,471,799
Management decision made during period:	1	\$1,471,799
Amounts which management agreed to be put to better use:	1	\$1,471,799
Based upon proposed management action	0	0
Based upon proposed legislative action	0	0
Amounts which management disagreed be put to better use	0	0
No management decision at end of period:	0	0
Less than 6 months old	0	0
More than 6 months old	0	0

Table 4—Prior Significant Audit Recommendations Yet To Be Implemented

Report Number/ Date Issued	Report Title	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target/ Closure Date
				Open	Closed	
NEW SINCE LAST REPORTING PERIOD						
INFORMATION TECHNOLOGY						
G-03-001 07/18/03	Assessment of Wireless Security at [a NASA Center]	07/18/03	*	1	3	06/30/04
MANAGEMENT AND POLICY						
G-01-035 06/27/03	Improving Management of the Astronaut Corp	06/27/03	*	1	3	See Note 1
REPORTED IN PREVIOUS SEMIANNUAL REPORTS						
INFORMATION TECHNOLOGY						
IG-00-055 9/28/00	System Information Technology Security Planning	12/29/00	*	2	8	09/30/03 ¹
IG-00-057 9/28/00	NASA's Planning and Implementation for Presidential Decision Directive 63 – Phase I	09/28/00	*	2	1	12/31/03
IG-01-038 09/27/01	NASA Planning and Implementation of PDD 63- Phase III	09/27/01		2	0	07/01/04
IG-02-029 09/30/02	NASA's Implementation Activities for Critical Cyber-Based Infrastructure Assets – Phase II	09/30/02	*	1	2	See Note 2
G-02-024 12/18/02	Assessment of [a NASA Installation's] Firewall and Other Information Technology Security Measures	12/18/02	*	1	0	05/31/03 ¹
IG-03-009 03/27/03	Performance Management Related to Agencywide Fiscal Year 2002 Information Technology Security Program Goals	03/27/03	*	5	7	06/30/03 ¹
SECURITY						
IG-02-004 11/19/01	Approval for Accessing IT Systems at [Two NASA Centers]	11/19/01	*	1	5	07/01/03 ¹
INTERNATIONAL. SPACE STATION						
IG-02-011 03/22/02	NASA's Implementation Activities for Critical Cyber-Based Infrastructure Assets —Phase II	03/22/02	*	2	3	See Note 3

*Non-monetary finding

Note 1: Selection of the next class of the astronaut corps has been deferred. The target closure date for this recommendation is 30-days beyond the official selection announcement.

Note 2: The management-estimated completion date has expired, and management has not provided the OIG with a revised date.

Note 3: Closure of the recommendation depends upon NASA's issuance of NPR 7120.5.

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	
PROCUREMENT IG-02-017 06/04/02	Management of Research Grants and Cooperative Agreements	06/04/02	*	2	4	See Note 2
LAUNCH VEHICLES IG-01-021 12/30/01	X-37 Technology Demonstrator Project Management	07/23/02	*	1	12	See Note 3
IG-02-028 09/30/02	Space Launch Initiative: Primary Requirements for a 2nd Generation Reusable Launch Vehicle	09/30/02	*	1	1	See Note 3

*Non-monetary finding

Note 2: The management-estimated completion date has expired, and management has not provided the OIG with a revised date.

Note 3: Closure of the recommendation depends upon NASA's issuance of NPR 7120.5.

Table 5—Status of A-133¹ Findings and Questioned Costs Related to NASA Awards²

Total Audits Reviewed	38
Audits with Recommendations	2
Total Disallowed/Questioned Costs	0
Total Disallowed/Questioned Costs Recovered/Sustained	0
Recommendations:	
Beginning Balance	38
New Recommendations	0
Recommendations Dispositioned	0
Ending Balance	38
Average Age of Recommendations Not Completed	8.4 months

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

²Data prepared by NASA Office of Procurement for the financial reporting period ending September 30, 2003, in accordance with OMB Circular A-50, *Audit Followup*.

Table 6—Administrative Investigations Activities

Cases Opened	40
Cases Closed	68
Cases Pending	70
Referred to Management	11
Closed	8
Pending	3
Referred to Criminal Investigations	2

Table 7—Criminal Investigations Activities	
Cases Opened	71
Cases Closed	133
Cases Pending	216
Hotline Complaints Received	65
Referred to Audits	2
Referred to Investigations	55
Referred to NASA Management	6
Referred to Other Agencies	1
No Action Required	1

Table 8—Criminal Investigations Impact	
Indictments/Informations	31
Convictions/Plea Bargains/Pretrial Diversions	26
Cases Referred for Prosecution	44
Cases Declined	34
Cases Referred to NASA Management for Action	16
Cases Referred to Other Agencies for Action	21
Suspensions/Debarments from Government Contracting	34
Individuals	27
Firms	7
Administrative/Disciplinary Actions ¹	
Against NASA Employees	4
Against Contractor Firm(s)	0
Reported Actions Taken by Contractor Against Contractor Employees ²	17
Total Recoveries	\$5,872,832
NASA ³	\$698,956
NASA Property	\$42,516
Other ⁴	\$5,131,360

¹Includes terminations, suspensions, demotions, reassignments, reprimands, and resignations or voluntary retirements.

²17 actions taken against 15 individuals.

³Includes administrative recoveries and contract credits.

⁴Includes fines, penalties, restitutions, and settlements from criminal and civil investigations, some of which were conducted jointly with other law enforcement agencies. Also includes miscellaneous receipts received by NASA and returned to the Treasury.

Table 9—Legal Activities and Reviews	
Freedom of Information Act Matters	17
Inspector General Subpoenas Issued	16
Regulations Reviewed	19

APPENDIX C

DCAA AUDITS OF NASA CONTRACTORS

The Defense Contract Audit Agency (DCAA) provides various audit services to NASA on a reimbursable basis. The DCAA provided the following information during this period 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 305 audit reports (excluding pre-award contractor proposal evaluations) on contractors who do business with NASA. DCAA also issued 165 reports on audits of NASA contractor proposals totaling \$1,221,489,000, which identified cost exceptions totaling about \$13,522,000. 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 56 reports with \$11,447,000 of questioned costs, and 39 reports with \$18,459,000 of funds put to better use. NASA management sustained 51.5 percent of DCAA's questioned costs and 42.4 percent of the funds put to better use.

Table 10—DCAA Audits with Questioned Costs^{1, 2}

	Number of Audit Reports ³	Total Costs Questioned (in thousands)
No management decision made by beginning of period ⁴	304	\$176,113
Issued during period	41	\$4,351
Needing management decision during period	345	\$180,464
Management decision made during period:	56	\$11,447
Dollar value of contract recoveries		\$5,892
Dollar value of costs not recovered		\$5,555
No management decision made by end of period	289	\$169,017

¹This data is provided to the NASA OIG by the DCAA and 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.

²None of the data presented includes statistics on audits that resulted in contracts not awarded, or the contractor was not successful. The data in “No management decision made by end of period” line above may include some audit reports that will ultimately meet this same circumstance, but are not yet recorded as such.

³Number of reports includes only those with questioned costs and therefore differs from the total number of reports noted in the paragraph “DCAA Audit Reports Issued” found on page 24.

⁴Represents beginning October 1, 2003, amounts adjusted for (a) contracts not awarded, and (b) revised audit findings and recommendations.

Table 11—DCAA Audits with Recommendations That Funds Be Put to Better Use^{1, 2}

	Number of Audit Reports ³	Total Costs Questioned (in thousands)
No management decision made by beginning of period ⁴	58	\$175,826
Issued during period	34	\$18,602
Needing management decision during period	92	\$194,428
Management decision made during period:	39	\$18,495
Amounts agreed to by management		\$7,836
Amounts not agreed to by management		\$10,659
No management decision made by end of period	53	\$175,933

¹This data is provided to the NASA OIG by the DCAA and includes incurred cost, Cost Accounting Standards, and defective pricing. 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.

²None of the data presented includes statistics on audits that resulted in contracts not awarded, or the contractor was not successful. The data in “No management decision made by end of period” line above may include some audit reports that will ultimately meet this same circumstance, but are not yet recorded as such.

³Number of reports includes only those with funds put to better use and therefore differs from the total number of reports noted in the paragraph “DCAA Audit Reports Issued” found on page 24.

⁴Represents beginning October 1, 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.

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

AIU	Administrative Investigations Unit
AUSA	Assistant U.S. Attorney
BFM	Budget Formulation Module
CAIB	Columbia Accident Investigation Board
CCD	Computer Crimes Division
DCAA	Defense Contract Audit Agency
FAR	Federal Acquisition Regulation
FISMA	Federal Information Security Management Act
FY	Fiscal Year
IFMP	Integrated Financial Management Program
IG	Inspector General
IT	Information Technology
ITR	Information Technology Roundtable
JPL	Jet Propulsion Laboratory
NPD	NASA Policy Directive
OA	Office of Audits
OI	Office of Investigations
OIG	Office of Inspector General
OMB	Office of Management and Budget
PV/S	Pressure Vessel and Pressurized System
PwC	Pricewaterhouse-Coopers
RTF	Return to Flight
SFOC	Space Flight Operations Contract
U.S.	United States

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NP-2004-05-351-HQ