

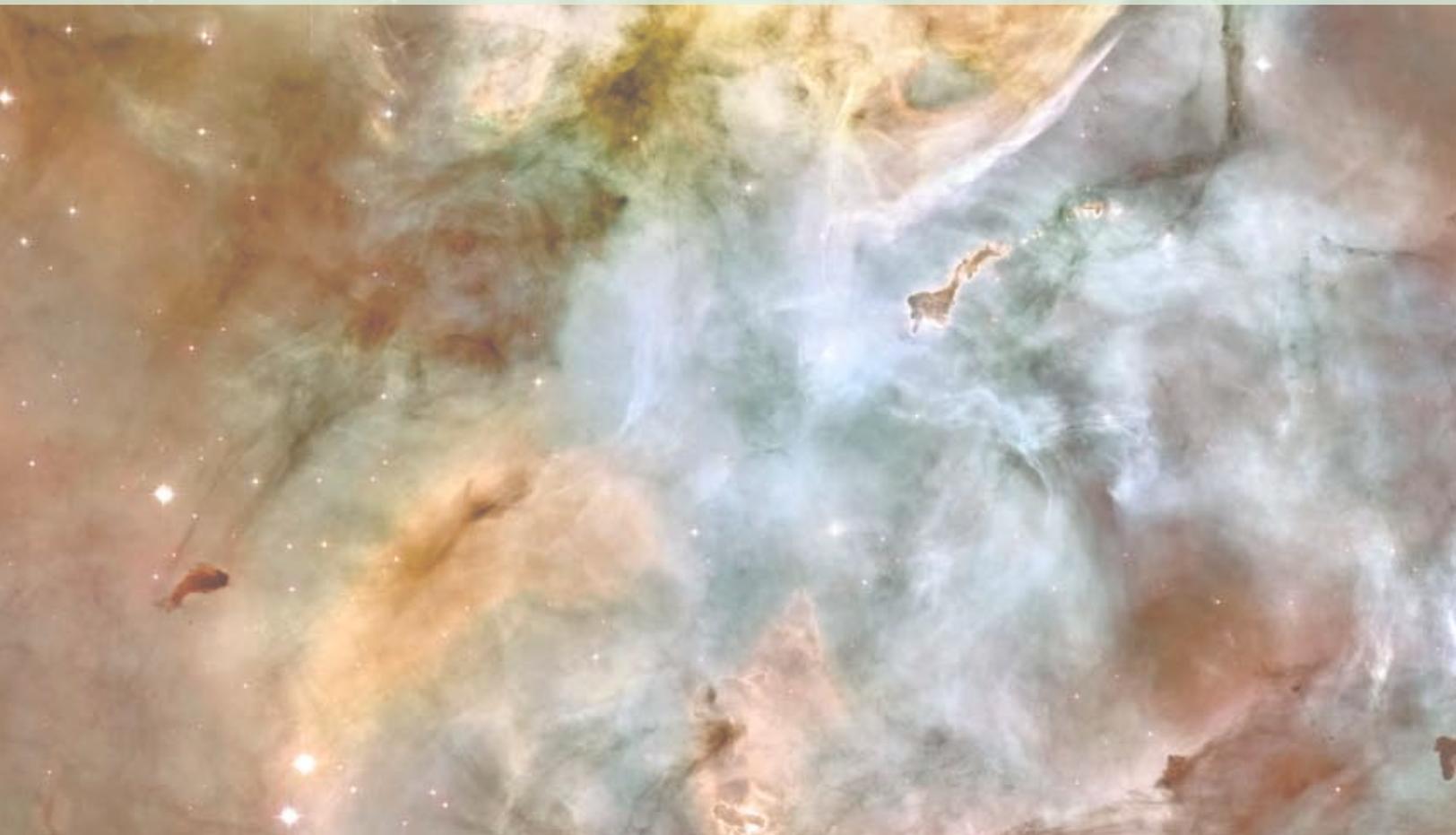


National Aeronautics and
Space Administration
Office of Inspector General
SEMIANNUAL REPORT
OCTOBER 1, 2007–MARCH 31, 2008





The Carina Nebula ✦





FROM THE INSPECTOR GENERAL

Robert W. Cobb
Inspector General

The NASA Office of Inspector General (OIG) is committed to bringing needed change to NASA through independent and accurate audits, reviews, and investigations. We report the results of our activities to the Administrator, Congress, and the public to promote accountability and assist NASA in its efforts to achieve its missions and improve operations.

This report summarizes the accomplishments of the NASA OIG for the period of October 1, 2007 to March 31, 2008, including our most recent annual assessment of the Agency's most serious management and performance challenges.

During this period, we conducted a wide range of audits and investigations addressing: air safety research, satellite project management, records retention, credit card abuse, firearms violations, contractor fraud, and many other matters that significantly impact the Agency. For the fifth consecutive year, our external auditor disclaimed an opinion on NASA's financial statements, because the Agency could not provide sufficient supporting evidence. However, the auditor's report details the substantial progress the Agency is making in improving the internal controls and other issues critical to a reliable financial management system.

The breadth and depth of the activities reported here reflect the contribution that the NASA OIG is making to promote the effective and efficient stewardship of Federal spending at NASA. I commend the exemplary performance of NASA OIG employees who are working diligently to identify and prevent waste, fraud, abuse, and mismanagement in NASA programs and operations. Furthermore, I express my appreciation to the Agency and its leadership and staff for its cooperation and responsiveness with this office's activities and its committed efforts to implement the recommendations we make.

I am pleased to present the NASA OIG Semiannual Report discussing the OIG's significant accomplishments and activities for this reporting period.

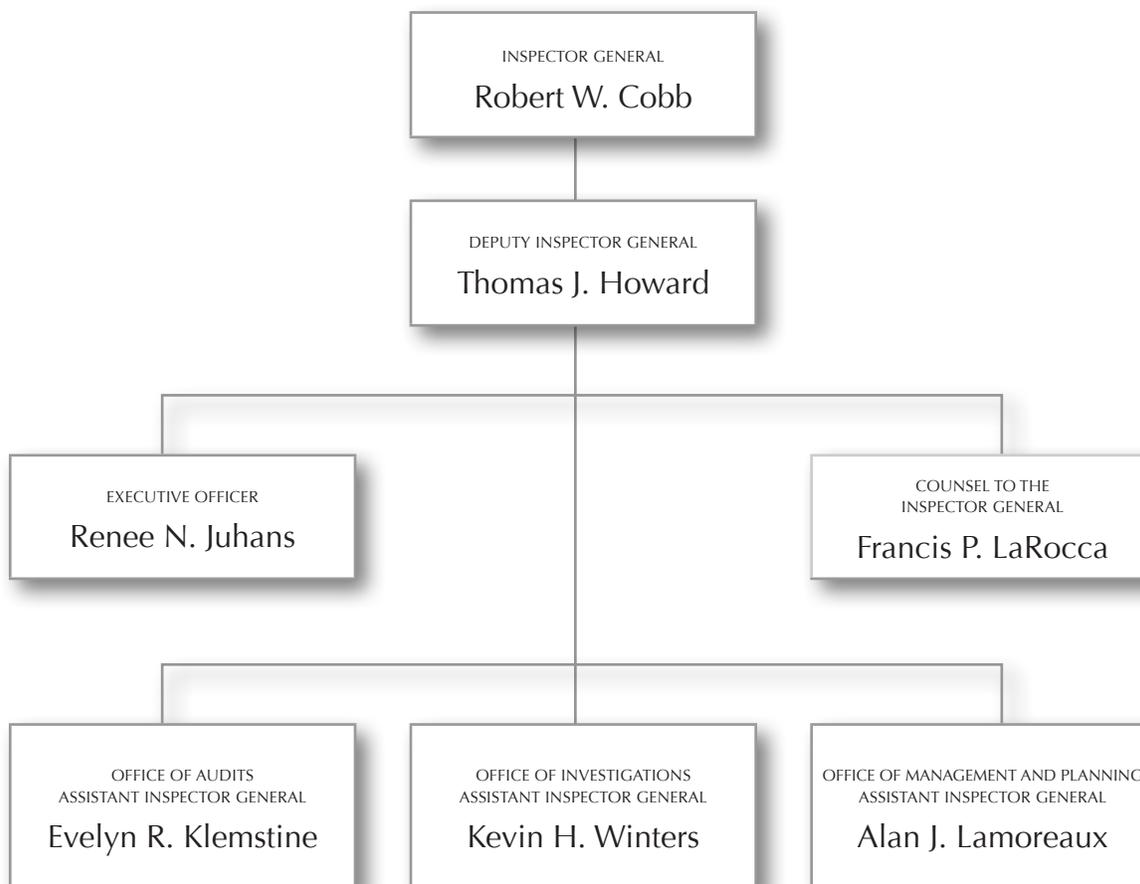
A handwritten signature in black ink that reads "Robert W. Cobb". The signature is written in a cursive, flowing style.

Robert W. Cobb
Inspector General

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ORGANIZATION



THE NASA OFFICE OF INSPECTOR GENERAL (OIG) conducts audits, reviews, and investigations of NASA programs and operations 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) 2008 budget of \$32.6 million supports the work of audit, investigative, and administrative activities.

INSPECTOR GENERAL Robert W. Cobb provides policy direction and leadership for the NASA OIG and serves as an independent voice to the Administrator and Congress by identifying opportunities and promoting solutions for improving the Agency's performance. The Deputy Inspector General provides overall direction to the Assistant Inspectors General and Counsel to the Inspector General in the development and implementation of diverse audit, investigative, legal, and support operations of the OIG. The Executive Officer serves as the OIG liaison to Congress and other Government entities, conducts OIG outreach, both within and outside of NASA, and manages special projects.

THE OFFICE OF COUNSEL TO THE INSPECTOR GENERAL provides advice and assistance on a variety of legal issues and matters relating to OIG review of NASA's programs and operations. The legal staff reviews

legislation, regulations, Freedom of Information Act (FOIA) requests, and congressional matters that require OIG attention. Additionally, the staff provides advice and assistance on legal matters to OIG senior management, auditors, and investigators and serves as counsel in administrative litigation in which the OIG is a party or has a substantial interest. The staff also assists the Department of Justice (DOJ) in litigation in which the OIG participates as part of the prosecution or civil team or in which the OIG is a witness or defendant.

THE OFFICE OF AUDITS (OA) is responsible for conducting independent and objective audits, reviews, and other examinations to improve the economy, efficiency, and effectiveness of NASA programs, projects, operations, and contractor activities. In addition, OA oversees the work of the independent public accountant firm that is under contract by the OIG to conduct the annual audit of NASA's financial statements.

THE OFFICE OF INVESTIGATIONS (OI) investigates allegations of crime, cybercrime, fraud, waste, abuse, and misconduct that could have an impact on NASA programs, projects, operations, and resources. The OI refers its findings either to the DOJ for criminal prosecution and civil litigation or to NASA management for administrative action. Through its investigations, the OI identifies crime indicators and recommends measures for NASA management that are designed to reduce NASA's vulnerability to criminal activity.

THE OFFICE OF MANAGEMENT AND PLANNING (OMP) provides financial, procurement, human resources, administrative, and information technology (IT) services support to the OIG staff. The OMP develops, executes, and controls the OIG budget; acquires supplies and services through NASA contracting officers; and provides personnel services that include recruitment, performance management, qualifications and classification, and employee-relations functions. The OMP provides state-of-the-art IT capabilities for the OIG and coordinates the preparation of the strategic plan and the OIG Semiannual Report to Congress.

NASA'S MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES

The Reports Consolidation Act of 2000 requires that each Inspector General (IG) of a Federal agency summarize what the IG considers to be the most serious management and performance challenges facing the agency. Following are the NASA IG's views of the challenges facing NASA. During the past year, NASA has worked to address these challenges and improve Agency programs and operations through various initiatives and by implementing recommendations made by this office and other evaluative bodies, such as the Government Accountability Office (GAO). An overarching challenge concerns how NASA integrates diverse programmatic and institutional functions across geographically dispersed operations.

Transitioning from the Space Shuttle to the Next Generation of Space Vehicles

Transitioning requires that NASA balance the needs of the Space Shuttle Program against the needs of the Constellation Systems Program¹ without compromising the operations of either. The challenge is multifaceted, involving mission equipment, facilities, and human capital. For example, the projected 5-year gap between the expected last flight of the Space Shuttle in 2010 and first flight of the Crew Exploration Vehicle in 2015 will challenge NASA's ability to retain certain employee skill sets, efficiently use its infrastructure and suppliers, and adequately support the activities of the International Space Station. NASA has not experienced a challenge of this magnitude since the end of the Apollo Program and the beginning of the Space Shuttle Program.

Managing Risk to People, Equipment, and Mission

NASA's challenge is to effectively manage risk, safety, and mission assurance controls to ensure reliable operations within the context of aggressive launch and mission schedules, funding limitations, and future uncertainties. NASA is also challenged by risks associated with reprioritizing resources to meet continually evolving demands. The Agency continues to be confronted with operational and safety risks such as those associated with the Space Shuttle foam liberation issues from the external tank. However, the continuing development of the Constellation Systems Program offers NASA a unique opportunity to leverage the lessons learned from the past concerning risk, risk management, and the Agency's safety culture. Mitigating real and potential risks is a challenge emblematic of the overall vigilance necessary to contain risks and still complete the Agency's mission.

Financial Management

NASA has not been able to produce auditable financial statements or provide sufficient evidence to support statements throughout the fiscal year. These deficiencies have resulted in the independent public accountant disclaiming an opinion on NASA's financial statements for the last 5 fiscal years. Many of the deficiencies the audits disclosed

¹ The Constellation Systems Program is responsible for developing the next-generation space vehicles and the related exploration architecture systems.

Information Technology Security

resulted from a lack of effective internal control procedures and data integrity issues. While NASA has made progress in addressing deficiencies, during FY 2007, the auditors noted that similar inadequacies still exist. Two remaining material weaknesses involve NASA's financial statement preparation process and internal controls over property, plant, and equipment and materials. (See page 12 for a summary of NASA's FY 2007 Financial Statement Audit.)

Significant management, operational, and technical control weaknesses continue to have an impact on the Agency's IT Security Program and threaten the confidentiality, integrity, and availability of NASA information and its systems. Although these challenges are significant, NASA has taken tremendous steps in FY 2007 to bolster its IT security defenses. Despite this progress, strategies for criminal computer intrusions continue to evolve, and the threat that the Agency continues to be a target remains. IT security is still a most serious management and performance challenge and is recognized by the Agency as a material weakness.

Acquisition and Contracting Processes

Given that NASA expends most of its budget through contracts and other procurement vehicles, weaknesses in NASA's acquisition and contracting processes pose significant challenges to the Agency's ability to make informed investment decisions. GAO first identified NASA's contract management as a high-risk area in 1990 and reiterated that assessment in 2005 and 2007, reporting that NASA lacked a modern, fully implemented, integrated financial management system to provide accurate and reliable information on contract spending; that NASA used undisciplined cost-estimating processes in project development; and that NASA project managers were unable to obtain information needed to assess contract progress. Although GAO has recently reported on NASA's progress in mitigating the deficiency, OIG and GAO audits and investigations continue to reveal systemic problems to include fully implementing a knowledge-based acquisition approach and procurement process abuses.

"NASA's Most Serious Management and Performance Challenges"
(November 13, 2007)

SIGNIFICANT AUDITS AND INVESTIGATIONS

Space Operations and Exploration (Transition)

Space operations and space exploration remain the most highly visible aspects of NASA's mission to sustain and plan for the future of human space flight. The work of the OIG continues to address and bring to the Agency's attention transition issues and circumstances that could have an impact on the efficiency and effectiveness of NASA's operations and mission.

NASA OIG Recommends Increased Rigor for Risk Assessment of Software Products

Our final report on Marshall Space Flight Center's (Marshall) approach to establishing product data management (PDM) and mechanical computer-aided design (MCAD) software as standard for new flight system designs Center-wide resulted in two recommendations: (1) Marshall should suspend efforts to establish Parametric Technology Corporation products as standard, and (2) Marshall should allow design engineers to continue using other PDM and MCAD software, pending an assessment and risk analysis of software implementation. Management nonconcurred with both recommendations. We requested that Marshall reconsider its position and provide additional comments.

Marshall consulted with representatives from the Office of the Chief Engineer (OCE) and provided additional comments and proposed actions. We considered the comment and actions to be responsive and closed both recommendations. However, we determined that ambiguities in definitions and software classification in NASA's guidance could continue to lead to errors in classification of MCAD products and to inadequate assessment of risk.

We issued an addendum in February 2008, and added a recommendation that OCE review and clarify software classification definitions in NASA's guidance to minimize potential misclassification of software products and to ensure an increased level of rigor in risk mitigation as a software management requirement for commercial off-the-shelf MCAD software used in the design or support of human space flight components or systems, regardless of software classification within NASA guidance.

NASA Management Concurrence: Yes

“Addendum to Final Memorandum on Marshall Space Flight Center’s Approach to Establishing Product Data Management and Mechanical Computer-Aided Design Software Tools as Standard Center-Wide” (IG-07-013-a, February 19, 2008)

“Final Memorandum on Marshall Space Flight Center’s Approach to Establishing Product Data Management and Mechanical Computer-Aided Design Software Tools as Standard Center-Wide” (IG-07-013, July 24, 2007)

Safety (Managing Risk)

NASA is challenged with effectively managing technologically complex programs while protecting the public from harm, ensuring the safety of employees, and preventing damage to high-value equipment and property. We continue to work in concert with NASA management to ensure appropriate attention to and resolution of safety issues.

NASA Urged to Publish Air Safety Survey Research

We initiated a review of the National Aviation Operations Monitoring Service (NAOMS) following the NASA Administrator's appearance before Congress on October 31, 2007. We focused on the history and status of NAOMS, as well as the objectives, funding, and NASA's future plans for using the survey data.

We found that NAOMS management conducted NAOMS research, development, and implementation in accordance with applicable NASA directives and guidelines. However, we also found that project management deficiencies occurred during the NAOMS life cycle. For example, NASA did not adequately describe or publicize the designed and intended uses of the NAOMS survey, which was to produce data from which trends might be identified and considered in concert with other Aviation Safety Monitoring and Modeling (ASMM) Project activities. Also, NASA had not published an analysis of the NAOMS data nor adequately publicized its primary purpose of contributing to the ASMM Project. Consequently, the NAOMS survey data could be taken out of context and misunderstood in relation to identifying aviation risk.

We recommended that NASA take the lead and coordinate efforts to interpret the NAOMS data and also release and post on the Internet NAOMS-related information, including articles and research papers as well as a detailed analysis of the NAOMS survey data research, findings, and conclusions. NASA nonconcurred with providing a detailed analysis of the research, findings, and conclusions, noting, among other reasons, that the most important work related to NAOMS is a better understanding of the validity of the survey methodology. Given that NASA has contracted with the National Research Council to assess the NAOMS methodology, we revised our recommendation to make the publication of a detailed analysis contingent upon the assessment of the methodology.

We requested that NASA provide additional comments on the revised recommendation.

NASA Management Concurrence: Yes

"Final Memorandum on the Review of the National Aviation Operations Monitoring Service"
(IG-08-014, March 31, 2008)

NASA Ensures Rigor and Independence of Mishap Board

An anonymous complainant made allegations concerning a Shuttle Training Aircraft mishap on October 19, 2007, at the Kennedy Space Center (Kennedy). During the mishap, the Shuttle Training Aircraft sustained minor damage and no one was injured. However, the complainant alleged that the instructor pilot was no longer capable of safely flying NASA aircraft (because of his age) and actions taken by the instructor pilot, the aircrew, and the Agency subsequent to the mishap were improper and raised potential safety concerns.

We reviewed the allegations and found that the instructor pilot was certified, qualified, and approved for instructor pilot duty. In addition, the actions taken by the instructor pilot and aircrew, with respect to reporting the mishap and undergoing mandatory drug testing, complied with NASA regulations. Although a mishap investigation board is not required when the damage caused by the mishap is valued at less than \$250,000, as in this case, the responsible official may establish a board if he or she believes the mishap is a high-visibility event. In this instance, the responsible official did convene a mishap investigation board. During our review, we found that the mishap investigation board was not formed in strict compliance with NASA regulations—i.e., the appointed chairperson of the board was an employee in the same organization as the instructor pilot and, therefore, may not have been sufficiently independent to conduct an impartial assessment.

We recommended that the responsible official appoint a new mishap investigation board chairperson in compliance with Agency requirements. Instead, the NASA official took actions that provided assurance of the board's independence during the mishap investigation and reporting process. This action satisfied the intent of our recommendation and, therefore, we consider the recommendation resolved and closed.

Glenn Deactivates Noncompliant Communication System

During our review to address Glenn Research Center's (Glenn) emergency response system and the roles of the entities responsible for emergency response, we identified an issue that warranted management's immediate attention. The issue concerned Glenn's land-based mobile communication system and the continued use of certain communication bandwidths in violation of National Telecommunications and Information Administration (NTIA) requirements. NTIA required agencies to transition to narrow-band radio communication channels by December 31, 2007. We

“Final Memorandum on Review of a Shuttle Training Aircraft Mishap on October 19, 2007”
(IG-08-009, February 15, 2008)

“Final Memorandum on Glenn Research Center's Land-Based Mobile Communication System”
(IG 08-012, March 10, 2008)

reported the issue to the Center Director in a draft memorandum sent January 16, 2008.

We recommended that the Center Director instruct the Glenn Radio Frequency Spectrum Manager to initiate a waiver to NTIA to continue using the wideband channels until the transition could be completed. We also recommended that the Director appoint an individual or committee to oversee the transition effort.

Glenn did not initiate the official waiver, but prior to issuance of our final memorandum, deactivated the wideband communication system, began using the 12.5 kilohertz narrowband channels, and had also appointed an individual to oversee the transition effort.

Our final report recommendations were resolved and closed by the time the report was issued.

NASA Contractor Convicted and Sentenced

A company that supplies hardware to the aerospace industry was charged with and convicted of providing a false certificate of conformance related to the sale of fasteners to a NASA subcontractor. The company was fined \$25,000 and ordered to serve 18 months probation.

Financial Management

Effectively managing the Agency's financial resources is important to the success of NASA's missions. Yet, financial management remains a significant management challenge for NASA. Independent public accountants and the OIG continue to assess and make recommendations to assist the Agency in reducing its financial management weaknesses.

Disclaimer on FY 2007 Financial Statements Notes Improved Internal Controls

The Chief Financial Officers Act of 1990 requires the IG, or an independent external auditor as determined by the IG, to audit NASA's financial statements. Ernst & Young LLP (E&Y) has audited NASA's financial statements since FY 2004, and in each of those years, NASA received a disclaimer of opinion. For the fiscal year ending September 30, 2007, NASA was again unable to provide E&Y auditable financial statements throughout the fiscal year or year-end and E&Y disclaimed an opinion on NASA's FY 2007 financial statements.

*"Audit of NASA's FY 2007
Financial Statements"*
(IG-08-001, November 15, 2007)

NASA has made progress in improving its internal controls by, for example, developing tools and reports for analyzing financial statement accounts. However, NASA management and E&Y continued to identify weaknesses. E&Y reported two significant deficiencies that are considered to be material weaknesses: (1) financial systems, analyses, and oversight used to prepare the financial statements, and (2) assuring that property, plant, and equipment and materials are presented fairly in the financial statements.

During the audit, we found that NASA had prepared a corrective action plan to address the material weaknesses and recommendations noted in the FY 2006 financial statement audit report. Therefore, we recommended that NASA update that corrective action plan to address the findings detailed in E&Y's 2007 financial statement report and to address the two material weaknesses.

NASA Management Concurrence: Yes

NASA Works to Improve Its IT Control Environment

As part of its FY 2007 audit of NASA's financial statements, E&Y performed procedures to assess the effectiveness of NASA's IT control environment and issued applicable findings.

E&Y noted that NASA had taken significant steps to resolve a majority of the FY 2006 findings but also noted a number of other issues related to access controls and segregation of duties within NASA's IT environment. The level of risk associated with the IT issues noted depends in part on the extent to which compensating controls (such as reconciliations and robust reviews of output) are in place and operating effectively during the audit period. These compensating controls designed to detect errors or inappropriate processing might not work as expected, which could possibly subject NASA to risks regarding safeguarding of assets. Within the context of the overall weaknesses identified in NASA's control environment during the FY 2007 financial statement audit, the IT-related issues merit management focus.

NASA has planned corrective actions to address the issues E&Y raised.

OIG Closes Recommendations Related to Internal Control

E&Y identified internal control deficiencies in its "Comments on Internal Control and Other Matters" letter issued February 1, 2007, as part of the FY 2006 NASA financial statement audit.

"Transmittal of Final Report, Information Technology Findings and Recommendations, Prepared by Ernst & Young LLP, in Connection with the Audit of NASA's FY 2007 Financial Statements"

(IG-08-002, November 26, 2007)

"Transmittal of the Final 'Status of Fiscal Year 2006 Management Letter Findings and Recommendations' Letter, Prepared by Ernst & Young LLP, in Connection with the Audit of the NASA's FY 2007 Financial Statements"

(IG-08-011, February 29, 2008)

In a follow-up letter, dated February 29, 2008, E&Y either identified similar issues to those reported in the February 1, 2007 letter, or stated that E&Y did not note the issue during the FY 2007 audit.

As a result, each recommendation made in the February 2007 letter is considered closed.

Leased Real Property Valued Around \$295 Million Improperly Removed from General Ledger

During its audit of NASA's financial statements, E&Y identified that Agency policies did not adequately address accounting for real property that NASA owns but leases to another entity. Recurring material weaknesses identified in NASA's financial statement audits involving property, plant, and equipment issues prompted us to conduct a review to determine whether NASA accounts for leased real property in accordance with applicable accounting standards.

We found that when NASA leased real property to another entity, and the terms of the lease did not meet the criteria of a capital lease, NASA removed that property from its general ledger—a practice that was not in accordance with applicable accounting standards. As a result, leased real property owned by NASA, with a capitalized value of approximately \$295 million, was inappropriately removed from the general ledger.

We recommended that NASA revise its applicable policies and procedures to include both capital and operating leases to fully address the proper accounting for real property leased to another entity. We also recommended that the Chief Financial Officer (CFO) analyze NASA's leased real property for adjustments that should be made to the accounting records.

NASA Management Concurrence: Yes

Unused Real Property Worth Nearly \$247 Million Also Requires Reconciliation of Records

NASA has many accounting process improvements planned for FY 2008. With regard to prospective changes to guidance related to accounting for property, plant, and equipment, we conducted a review to determine whether NASA was properly accounting for real property designated as inactive in accordance with applicable accounting standards.

We found that NASA guidance improperly directed that the capitalized cost of temporarily inactive real property be removed

*“Final Memorandum on NASA's Accounting for Real Property Leased to Other Entities”
(IG-08-004, December 11, 2007)*

*“Final Memorandum on NASA's Accounting for Capitalized Real Property Designated as Inactive”
(IG-08-005, December 11, 2007)*

from its general ledger. As a result, NASA real property with a capitalized value of approximately \$247 million, which had been temporarily removed from service, was also improperly removed from the general ledger.

We recommended that NASA revise its applicable policies and procedures to comply with Federal guidance for accounting for real property designated as inactive. We also recommended that NASA analyze its property records and record adjustments that should be made to address the improper removal of certain inactive real property from the accounting records.

NASA Management Concurrence: Yes

NASA to Provide New Guidance for Implementation of FY 2008 Congressional Earmarks

The overall objective of this audit was to assess NASA's process for awarding site-specific congressional earmarks. This audit is related to our "Audit of NASA's Management and Funding of Fiscal Year 2006 Congressional Earmarks" issued in August 2007. Specifically, for this audit we assessed whether NASA personnel followed established procedures for evaluating and awarding site-specific earmarks.

We found that personnel followed the Agency's policies and procedures for evaluating and awarding earmarks; however, we also found that the policies and procedures could be improved. Specifically, NASA policies did not adequately define how to document an award's period of performance or the value of work to be performed by NASA. Therefore, data entered on the Agency's internal record for each earmark, the "Documentation of Readiness for Award" (DORA) form, was sometimes incomplete or inaccurate or both.

We recommended that NASA issue an updated memorandum with detailed guidance for accurately documenting period of performance and value of work to be performed by NASA on the DORA forms.

NASA Management Concurrence: Yes

"Final Memorandum on Audit of NASA's Documentation of Readiness for Award Form Usage for Site-Specific Earmarks"
(IG-08-013, March 24, 2008)

"Audit of NASA's Management and Funding of Fiscal Year 2006 Congressional Earmarks"
(IG-07-028, August 9, 2007)

NASA Agrees with Testing Recommendations to Enhance Financial Systems Capabilities

In our final report on NASA's system integration testing of the Systems, Applications, and Products Version Update (September 2007), we recommended that the Integrated Enterprise Management (IEM) Program Director require the Project Manager to comply with NASA policy and guidance by (1) stabilizing software requirements prior to beginning testing; (2) establishing a baseline of test procedures to be completed before testing begins; (3) implementing policies and procedures establishing the management, assignment, and change controls of defect severity levels; (4) reporting all deviations from test procedures; (5) successfully completing a regression test; (6) not holding the Operational Readiness Review (ORR) until testing is completed and defects are resolved; and (7) ensuring that all independent assessment analysis is performed and all independent assessment reports are complete.

The IEM Program Director concurred with all of our recommendations except one. While he agreed that an ORR should not be held until testing is completed, he disagreed with resolving all defects prior to entering the ORR. We clarified our intent that, at a minimum, all high and very high severity defects should be resolved or have documented work-arounds that have been successfully tested prior to the ORR and requested additional comments.

In the additional comments, the IEM Program Director concurred with our recommendation, noting that the test plan documents show that all "very high" severity defects must be resolved and all "high" severity defects must be resolved or have a documented work-around prior to the start of the ORR.

NASA Management Concurrence: Yes

Former NASA Finance Officer Pleads Guilty

A former NASA employee, who spent 7 years evading law enforcement authorities, was arrested by the NASA OIG on an outstanding bench warrant. The individual subsequently pled guilty in U.S. District Court to theft of Government property in connection with a fraudulent scheme wherein NASA vendor accounts were altered to direct vendor payments to the individual's bank account.

"Addendum to Final Report on System Integration Testing of the Systems, Applications, and Products Version Update Project Needed Improvement"
(IG-07-031-a, January 14, 2008)

"System Integration Testing of the Systems, Applications, and Products Version Update Project Needed Improvement"
(IG-07-031, September 28, 2007)

Information Technology

NASA's IT leadership continues to address many of the IT security and management control issues we raised in past audits, evaluations, and investigations. Recently, we noted NASA's IT security improvements in establishing a robust process to ensure standard incident reporting and also vulnerability and patch management. During this semiannual period, we focused on the Agency's management of major IT investments and electronic records.

NASA to Take Steps to Ensure Compliance with Electronic Records Management

We conducted an audit to determine whether NASA was effectively and efficiently managing its official e-mail records in accordance with statutory and regulatory requirements. We also evaluated whether NASA had (1) established and implemented adequate policies and procedures to ensure that e-mail users identified, designated, stored, and retained official e-mail communication and (2) developed and implemented training to ensure that all Agency e-mail users were aware of and understood the process.

We found that NASA was not effectively and efficiently managing its official e-mail records in accordance with applicable statutory and regulatory requirements. NASA had established records management policies and procedures in accordance with National Archives and Records Administration (NARA) regulations; however, NASA's e-mail retention guidance did not adequately address electronic records management, and NASA's official e-mail records were not being managed in accordance with applicable requirements. In addition, more than 92 percent of the senior management we surveyed were noncompliant with the requirements to identify, designate, store, and retain official e-mail correspondence.

NASA guidance was outdated, but NASA was in the process of revising its guidance to comply with NARA regulations. Therefore, we recommended that the Office of the Chief Information Officer (OCIO) finalize and issue updated guidance, implement mandatory electronic records management training, and monitor electronic records management reviews.

NASA Management Concurrence: Yes

“Final Memorandum on Audit of Retention of NASA's Official Electronic Mail”

(IG-08-010, February 28, 2008)

OCIO Enhances Internal Controls to Rectify Investment Reporting Weaknesses

We initiated a review to assess the adequacy and completeness of NASA's budget year (BY) 2008 Capital Asset Plan and Business Case (Exhibit 300) submissions. Exhibit 300 submissions were designed to provide the Office of Management and Budget (OMB) with a brief summary and justification for Federal investments to ensure that Federal agency business cases for IT major investments were tied to each agency mission. As part of our review, we also evaluated NASA's Exhibit 300 development, review, and submission processes and validated the existence of supporting documentation.

We identified weaknesses in the BY 2008 Exhibit 300 preparation and review process and found deficiencies in the completeness, accuracy, and consistency of the submissions we reviewed. However, during the course of our review, the OCIO took steps to improve the Exhibit 300 preparation and review process, including issuing formal guidance.

To validate the implementation and effectiveness of the OCIO's improved internal controls, we performed a follow-up review of selected BY 2009 Exhibit 300 submissions. We found that the controls that the OCIO implemented were appropriate to ensure that Exhibit 300 submissions generally were complete, accurate, and consistent, and that they corrected the weaknesses we previously identified. As a result, our final memorandum contained no recommendations.

Former NASA Aerospace Engineers Plead Guilty to Possession of Child Pornography

Following separate investigations by our office, two former NASA aerospace engineers entered guilty pleas to charges resulting from indictments handed down in U.S. District Court, Northern District of California. The former employees each had been indicted for one count of violating Title 18 United States Code 2257(a)(4)(B), Possession of Matters Containing Any Visual Depiction of a Minor Engaging in Sexually Explicit Conduct. On entering his guilty plea, one of the defendants was sentenced to 31 months confinement, a life term of supervised release, \$100 special assessment, and registration as a sex offender. The other defendant's sentencing is scheduled for June 2008.

"Final Memorandum on Review of NASA's Budget Year 2008 Capital Asset Plan and Business Case (Exhibit 300) Submissions"
(IG-08-003, January 30, 2008)

(Indictments previously reported September 30, 2007, page 22)

Former NASA Contractor Employee Reached Plea Agreement for Possession of Child Pornography

Following our investigation, a former NASA contractor employee appeared in U.S. District Court to plead guilty to two counts of possession of child pornography. The former contractor waived his right to a trial and forfeited all assets. He faces a minimum sentence of 5 years in Federal prison with life-time supervised parole. Sentencing is scheduled for June 2008.

NASA OIG Finds IT Security Allegations Lack Merit

We received a complaint alleging that sensitive-but-unclassified information, proprietary information, and data subject to the Privacy Act might not be adequately protected from unauthorized access. The complainant was concerned that the security question-and-answer information that system users provide to verify user identity might not be properly controlled, making the system vulnerable to unauthorized access.

In a January 30, 2008, memorandum, our Office of Audits asked NASA management to provide assurance that adequate internal controls were in place to protect user security question-and-answer information from unauthorized access. On March 4, 2008, the Agency provided documentation that included the system authorization to operate, the security assessment report, IT security policy and guidance specific to password protection, and system account management guidance.

We reviewed the documentation provided and determined that NASA does have adequate internal controls in place to properly protect user security question-and-answer information from unauthorized access. As a result, we discontinued the review.

NASA Contract Employee's Facilities Access Revoked

A NASA contract employee at Goddard Space Flight Center engaged in computer misuse by illegally connecting to a Government Web site and making unauthorized changes. Subsequent investigation concluded that the employee had exceeded his authorized access and, when confronted by our special agents, admitted to the misuse. We referred the case to NASA management, and the employee's access to NASA facilities was revoked. The decision was appealed, and on October 15, 2007, the access appeals panel upheld the original decision but limited the term of access revocation to 3 years.

(Indictment previously reported September 30, 2007, page 22)

Alleged Weaknesses in Controls Over Passwords
(March 13, 2008)

Not posted on Internet.

Acquisition and Contracting

NASA expends most of its budget through contracts and other procurement vehicles, therefore efficient and effective acquisition processes and contract management are critical to NASA's success in achieving its overall mission. Through its audits and investigations, the OIG continues to be committed to helping NASA improve those processes, ensure that funds paid for procured goods and services are used as intended, and that contracts are managed effectively.

Global Precipitation Measurement Project Cost May Require Independent Assessment

We initiated this audit because, in previous years, budget reductions caused delays to the Global Precipitation Measurement (GPM) Project's original launch date, which was 2007 and is now 2013. Our objective was to determine whether further schedule delays would result in significant risks to the GPM Project and whether NASA had taken steps to mitigate those risks.

We found that while NASA was taking steps to mitigate risks of further schedule delays, the Agency was also making decisions to delay GPM to meet other Agency priorities. Funding shortfalls in FYs 2005 through 2007 caused launch delays that altered the delivery schedule of the GPM Project's only prime contract—the GPM Microwave Imager. The GPM contracting officer exercised a launch delay provision and requested that the contractor submit a new cost proposal for the GPM Microwave Imager. The new cost proposal showed an increase of more than 50 percent over the original estimate. The contractor attributed most of this increase to additional labor costs resulting from the launch delays. We determined that the GPM Project could benefit from an independent assessment of the new proposal, which would provide validation of the proposal's reasonableness and, possibly, protect NASA from unnecessary costs.

We recommended that NASA, in accordance with its stated policy, either conduct an independent assessment of the cost estimate or request a third-party review to validate the estimate.

NASA Management Concurrence: Yes

“Final Memorandum on Audit of NASA’s Global Precipitation Measurement Project”
(IG-08-016, March 31, 2008)

Excessive Oversight Impeded NASA's Management of Satellite Program

The OIGs for the Department of Commerce and NASA concurrently reviewed the Geostationary Operational Environmental Satellite Series-R (GOES-R) Program focusing on our respective agency's challenges. We reviewed the GOES-R Program to determine whether NASA was effectively reviewing program progress and whether processes were in place to adequately identify, mitigate, and report technical risks in accordance with NASA policy.

We determined that the program was being effectively reviewed and that processes in place were in accordance with NASA policy. We also found, however, that NASA's ability to effectively procure for, manage, and execute the GOES-R Flight Project was impeded by management oversight by Commerce, which delayed the release of requests for design proposals and increased the risks to program development and the launch schedule.

NASA management had, in August 2007, notified Commerce regarding the risks, and Commerce's OIG report made recommendations that addressed our concerns about Commerce's management oversight of the program. Therefore, we made no recommendations in our memorandum.

Civil Settlement Nets More Than \$1 Million for U.S. Government

A contractor agreed to a civil settlement, to pay \$1,370,000 to the U.S. Government. A NASA OIG investigation found that the contractor, acting as a computer systems integration consultant on contracts with NASA, the Department of Defense (DOD), and various other Government agencies, participated in a kickback scheme to receive "referral fees," "influencer fees," and "reseller fees" in return for the contractor's assistance in obtaining Federal contracts and subcontracts. The kickback scheme was in violation of NASA and Federal contract provisions under the Federal Acquisition Regulation (FAR), Truth in Negotiations Act, Anti-Kickback Act, and the False Claims Act. In agreeing to the settlement, the contractor denied it engaged in any wrongdoing.

"Final Memorandum on NASA's Management of the Flight Project for the Geostationary Operational Environmental Satellite Series-R Program"
(IG-08-006, December 19, 2007)

Allegations of Improper Practices Found to be Unsubstantiated

We received a referral from the GAO that alleged improper practices related to Florida Power and Light Company's (FP&L) installation of pulse boilers to replace Kennedy's Central Heat Plant. The complainant alleged that FP&L used questionable data and assumptions to justify the pulse boiler project; FP&L did not offer alternatives to the project; the pulse boilers posed safety and health hazards for Kennedy employees; and Kennedy did not offer other energy providers the opportunity to effectively compete for the project.

In response to the complaint, we reviewed FP&L's energy study, Kennedy's cost-benefit analysis and related procurement documentation, and applicable laws and regulations related to procurement. We conducted interviews with Kennedy officials and facilities personnel regarding consideration given to updating the Central Heat Plant as an alternative to the installation of pulse boilers. We also interviewed Kennedy safety and health officials regarding their assessment of issues related to the pulse boiler project.

We found that the allegations were either unsubstantiated or without merit and provided the results of our review to GAO.

Marshall to Implement Property Administration Internal Controls and Training

In our final memorandum on Marshall's administration of Government property held by contractors, we recommended that the Marshall Procurement Officer develop internal controls to ensure that contracting officers (COs) (1) delegate and obtain acceptance for administration of Government property in a timely manner, as required by NASA guidance; (2) delineate and acquire requisite property administration so that contractors are responsible for, account for, and accurately report on Government property, as required by the FAR; and (3) implement sufficient oversight so that contractors promptly disclose excess property and COs facilitate timely disposition, as required by NASA, DOD, and FAR guidance. We further recommended that (4) the Marshall CFO review internal controls to ensure that NASA Form 1018, "Validation Checklist," is completed for all contractor property valued in excess of \$100,000.

GAO FraudNET Referral #47550
(November 29, 2007)

Not posted on the Internet.

"Addendum to Final Memorandum on Audit of Marshall Space Flight Center's Administration of Government Property Held Off-Site by Contractors"
(IG-07-030-a, December 6, 2007)

"Final Memorandum on Audit of Marshall Space Flight Center's Administration of Government Property Held Off-Site by Contractors"
(IG-07-030, September 28, 2007)

Management concurred with all four recommendations, but management's comments were not fully responsive to our intent. Specifically, the comments did not address developing internal controls to ensure recurring follow-up and validation of compliance with regulations. On our request, the Agency provided additional comments that fully addressed our recommendations.

NASA Management Concurrence: Yes

NASA Cancels Contract and Denies \$778,119 in Claims

A former NASA project manager was charged and pled guilty to violating a conflict of interest statute. An OI investigation revealed the manager participated in NASA contracting decisions related to a company in which the manager knew he had a financial interest. Also, as a result of the investigation, NASA terminated the company's contract and denied it \$778,119 in claims to mitigate costs incurred by NASA as a result of the termination.

Court Orders NASA Contractor to Pay More Than \$5 Million

A U.S. District Judge, Southern District of Texas, ordered damages awarded to the U.S. Government and a Qui Tam relator totaling \$5,015,365. The civil suit filed on behalf of the United States, alleged that the contractor submitted false claims to the Government through contract proposals under the Small Business Innovation Research program to NASA and the DOD. The suit further alleged that the contractor falsified research data by submitting duplicate research results to multiple agencies. The judge ruled that the contractor made material misrepresentations and false claims to the Government.

NASA Employee Sentenced for Theft

A former NASA resource program specialist found guilty of theft related to her fraudulent use of a NASA-provided purchase card, was sentenced to serve 18 months in prison and 36 months probation and ordered to pay \$157,394 in restitution.

(Conviction previously reported
September 30, 2007, page 19)

Other Audit and Investigative Matters

Glenn Provides Cost Estimates and Inspection Details to Complete Facility

In our final memorandum on the review and approval of Glenn's relocation of the Cryogenic Components Laboratory (CCL) facility, we recommended that the Glenn Center Director fully inspect the CCL facility to determine the extent of work needed to complete it and the estimated cost for completion. We also recommended that the Center Director prepare a functional requirements statement for any future facility projects.

NASA management responded and concurred with both recommendations, but the response did not address the need to adequately inspect the CCL facility. Although Glenn had estimated that it needed \$909,000 to complete the CCL facility, it had not fully inspected the facility and therefore could not demonstrate that \$909,000 was a realistic estimate. We requested additional comments.

We received additional comments and met with NASA representatives who provided additional documentation reflecting that inspections had occurred.

NASA Management Concurrence: Yes

Administrative Assistant Sentenced for Mail Fraud

A former NASA contractor employee, an administrative assistant, was convicted of mail fraud related to fraudulent claims she submitted and that were paid by NASA. She was sentenced to serve 16 months in prison and 36 months probation and ordered to pay \$127,029 in restitution. The employee submitted falsified claims for work-related expenses paid for with her personal credit card or check. The inflated invoices garnered more than \$127,000.

Contractor Sentenced for Theft of Aerospace Metals

A former contractor employee was sentenced to 8 months home confinement and 3 years probation and ordered to pay \$4,092 in restitution to a scrap yard. The sentencing was based on evidence that the former employee stole and sold rare and valuable metals used in the applications of aircraft, spacecraft, and the Space

"Addendum to Final Memorandum on Observations on the Review and Approval of Glenn Research Center's Relocation of the Cryogenic Components Laboratory Facility"
(IG-07-027-a, November 30, 2007)

"Final Memorandum on Observations on the Review and Approval of Glenn Research Center's Relocation of the Cryogenic Components Laboratory Facility"
(IG-07-027, September 28, 2007)

(Conviction previously reported September 30, 2007, page 21)

(Indictment previously reported September 30, 2007, page 21)

Shuttle. The metals, valued at \$77,571, were recovered as a result of the investigative activity.

Contractor Charged with Illegal Use of Government Credit Card

A NASA contractor employee was charged in state court with credit card fraud. A joint investigation with the General Services Administration (GSA) OIG reflected that the employee illegally used his GSA Fleet credit card, while conducting business for NASA, to purchase unauthorized items from service stations.

Food Service Manager Charged with Embezzlement

A former food service manager was charged with embezzling the proceeds from the cafeteria operations at Marshall.

Contractor Pleads Guilty to Theft of Copper Wire

A former NASA contractor employee pled guilty to stealing copper wire from the historic rocket engine test stands located at Marshall.

Four Guilty of Firearms Violations

A U.S. Department of Agriculture employee and two NASA contractor employees entered a 12-month pretrial diversion program for possessing firearms within the Michoud Assembly Facility.

In an unrelated case, a former NASA contract security guard was charged with and pled guilty to violating NASA regulations related to his possession of a personal firearm within Marshall.

LEGAL MATTERS

The Consolidated Appropriations Act of 2008

The Consolidated Appropriations Act of 2008 requires the Agency to maintain on the home page of its Web site a direct link to the Web site of the OIG. The Agency is also required to establish and maintain on its home page a mechanism to facilitate reporting cases of waste, fraud, or abuse through the Web site of the OIG. Both the NASA home page and the NASA Headquarters home page have links to the NASA OIG Cyberhotline.

The law also requires the OIG to maintain a direct link on its Web site that allows individuals to anonymously report waste, fraud, and abuse. We have a “Hotline” link on the OIG home page that links to the NASA OIG Cyberhotline.

The OIG is required under the law to post on its Web site any public report, audit, or portion of any report or audit within 1 day of its release. We currently post our reports as soon as possible upon their final approval and anticipate fully complying with this requirement.

The Appropriations Act further requires that each OIG provide a service on its Web site that allows an individual to request automatic receipt of information relating to any public report, audit, or portion of that report or audit. The law requires the service to permit either the electronic transmittal of the information or notice of the availability of the information. We are implementing this requirement.

The Appropriations Act contains a provision requiring OIGs to conduct audits, pursuant to the IG Act, of grants and contracts for which funds are appropriated by the Act. Reports of these audits must be submitted to Congress within 180 days after initiation and then every 180 days after that until completion. We will conduct these audits and report to Congress as required.

The NASA Administrator is required to submit a quarterly report regarding the costs and contracting procedures relating to each conference or meeting held by NASA during FY 2008 that costs the Government more than \$20,000. The OIG is required to analyze these reports, make recommendations as necessary, and provide a report citing each occurrence and recommendation to the House and Senate Appropriations Committees. We

The National Defense Authorization Act for FY 2008

are prepared to implement this requirement, upon receipt of the Administrator's quarterly reports.

The National Defense Authorization Act for FY 2008 was signed by the President on January 28, 2008, and its Section 845 requires all IGs appointed under the IG Act of 1978 to add an annex to their semiannual reports that includes (1) a listing of all contract audit reports issued during the reporting period containing significant audit findings; (2) a brief description of the significant audit findings in each issued report; and (3) the specific amounts of costs identified in the report as unsupported, questioned, or disallowed. This Act defines significant audit findings as unsupported, questioned, or disallowed costs in excess of \$10 million or other findings that the IG determines to be significant. We did not conduct any audits during this semiannual period that met these criteria.

IG Support to the Acquisition Integrity Program

The OIG continues its support to the NASA Acquisition Integrity Program (AIP). The collaborative effort of AIP and OIG staff resulted in NASA recovering \$66,050 from the forfeited bank account of a subcontractor that had been supplying unlawfully repaired, tested, or returned aircraft parts with falsified airworthiness certifications. We are also working with the AIP and the CFO to standardize the processing of funds recovered in fraud investigations.

The OIG Counsel has met on several occasions with the NASA contractor tasked with developing the next phase of fraud awareness training for NASA attorneys and procurement professionals. We provided the contractor with our training materials for OIG auditors and investigators, as well as public DOJ policies on the investigation and prosecution process.

IG Legal Support to the Federal Law Enforcement Training Center

Periodically, the IG legal community has been asked through the Council of Counsels to the Inspectors General (CCIG), to provide ideas and legal support to the Federal Law Enforcement Training Center (FLETC) on legal issues of importance to the IG community. The NASA OIG Office of Counsel received an award from the CCIG for its work in the area of the Privacy Act. The OIG's legal office also participated in curriculum development for a police officer internal affairs course at FLETC.

Ethics Program Tracking System

As the OIG ethics officer, the OIG Counsel took part in the NASA Ethics Program Tracking System (EPTS) project. This project incorporated electronic OGE Form 450 filing for OIG

Law Enforcement Issues at Various Centers

confidential financial filers. This filing assists in determining and remedying potential conflicts of interest between an employee's financial holdings and the employee's duties. Electronic filing using the EPTS generally went smoothly this filing season, as the project migrated to a Web-based system.

During this reporting period, we referred to NASA's General Counsel several questions concerning contractor operations of security services at a number of NASA Centers. We questioned the scope of legal authority of security service contractor personnel and asked that the issue be resolved before NASA awards a consolidated security contract. We also questioned the adequacy of the training accreditations of NASA's security force. We are awaiting NASA's response. We also reviewed NASA's practice of issuing authorization letters permitting certain individuals to bring personal firearms onto a Federal facility.

REGULATORY REVIEW

During this reporting period, the OIG reviewed and commented on 30 directives. Of the NASA directives we reviewed, the following was of particular significance to the OIG: NASA Procedural Requirements 8507.2B, "Human-Rating Requirements for Space Systems."

Contractor Compliance Program and Integrity Reporting

The OIG commented on FAR case 2007-006, which would require NASA contractors to make reports when they have reasonable grounds to believe Federal criminal laws have been violated in connection with the award or performance of a NASA contract. We strongly supported the proposed rule. The reporting of crimes by contractors could constitute an important part of the fabric of internal controls preventing crime in NASA contracts. The reporting requirement could also incentivize contractors to further ensure that criminal activity is not engaged in by its employees or subcontractors, thereby helping to enhance a culture of compliance with Federal law.

OTHER MATTERS

On January 31, 2008, we provided the Chairman, House Committee on Oversight and Government Reform, a list of recommendations made by this office from January 1, 2001, to January 29, 2008, that have not been implemented by NASA management. The number of unimplemented non-financial statement-related recommendations totaled 54: 52 were awaiting management's implementation of corrective action; the remaining two were reported by management as implemented, but we had not received supporting documentation.

SIGNIFICANT OUTREACH ACTIVITIES

During this reporting period, the NASA OIG engaged in a number of significant outreach activities that involved coordinating with the Agency, other Offices of Inspector General, and other Federal agencies.

- On December 7, 2007, we announced an audit to be conducted with the assistance and concurrence of the Department of Transportation OIG addressing NASA's efforts in support of the Joint Planning and Development Office to develop the Next Generation Air Transportation System.
- The IG and representatives from our Procurement Directorate attended a Forensic Audit Forum, January 23–24, 2008, in Washington, DC. The Forum focused on the concept of forensic auditing and its current and potential application as a tool to promote comprehensive reviews of agency operations.
- On January 22, 2008, representatives from our IT Directorate gave a presentation at the annual NASA Agency Security Update Service Face2Face Conference, highlighting the Federal Information Security Management Act annual requirements, the OIG review process, and the results of the 2007 review.
- On January 25, 2008, our audit leadership met with GAO representatives to discuss our 2008 Audit Plan in an effort to avoid duplication of effort, improve coordination, and increase oversight of NASA's major programs and operations.
- On February 6, 2008, staff from our Procurement Directorate participated with representatives from several agencies including the DOD, GSA, Small Business Administration, Veterans Administration, and Department of Homeland Security in a Federal Acquisition Institute initiative to develop Web-based training that would provide an introduction and overview of small business considerations in the procurement process.
- On March 6, 2008, we participated in the charter meeting of the Federal Audit Executive Council Contract Committee and drafted an initial charter for the Committee, which is currently pending approval.

AWARDS

OIG Employees Recognized for Group Achievements

On October 10, 2007, NASA OIG Special Agents Ed Gumban and Mike Mataya were recognized by the Director of Johnson Space Center (Johnson) for their outstanding teamwork with the NASA Johnson Protective Services Division in the apprehension of a NASA contract security guard involved in the theft of more than \$89,000 in NASA equipment.

On October 23, 2007, at the 10th Annual President's Council on Integrity and Efficiency (PCIE)/Executive Council on Integrity and Efficiency (ECIE) Awards Ceremony held at the Andrew W. Mellon Auditorium, several OIG staff members were honored.

- Members of our Space Operations and Exploration Directorate received an award for excellence in recognition of the report, "NASA's Plan for Space Shuttle Transition Could Be Improved by Following Project Management Guidelines."



Recognized audit team members are (left to right): Auditor Michael Brant; Technical Advisor Ron Yarborough; Auditor Jimmie Griggs; and Director, Space Operations and Exploration Directorate, Carol Gorman. Report Process Manager Liz Shifflet, is not shown.

- Two NASA OIG special agents, along with special agents from two other Federal agencies, and an Assistant U.S. Attorney were recognized for their outstanding accomplishments in the investigation of an aerospace metals company. The investigation and inter-agency teamwork uncovered a complex scheme that could have had a direct impact on the safety of the Space Transportation System, astronauts, and citizens.



Among those recognized are (left to right): Department of Transportation OIG Special Agent Tim Arnold; Department of Energy OIG Special Agent Brandon Currie; Assistant U.S. Attorney, Southern District of Florida Jose Bonau; and NASA OIG Special Agents William Shores and Wade Krieger.

- In addition, the PCIE recognized several NASA OIG employees as well as DOD and DOJ employees for their exceptional performance during an investigation of the Boeing Company. The multiagency investigation led to Boeing paying the U.S. Government \$615 million to resolve criminal and civil allegations that the company improperly used Lockheed Martin Corporation's information to obtain contracts from the Air Force and NASA for launch services worth billions of dollars. NASA received \$106.7 million from the settlement, a record recovery for NASA in Government procurement fraud.



Shown are (left to right): NASA OIG Resident Agent in Charge Patricia Searle; NASA OIG Counsel to the Inspector General Frank LaRocca; DOJ, Senior Trial Counsel, Commercial Litigation Branch, Civil Division, Judith Rabinowitz; NASA OIG Special Agent Wade Krieger; and NASA OIG Associate Counsel to the Inspector General Earl Baker. NASA OIG Procurement Analyst Joseph Fasula is not shown.

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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	28
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	7–25
Section 5(a)(2)	Recommendations for Corrective Actions	7–25
Section 5(a)(3)	Prior Significant Audit Recommendations Yet To Be Implemented	40
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	43
Sections 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	36
Section 5(a)(7)	Summary of Significant Audit and Investigations Products	9–25
Section 5(a)(8)	Total Number of Reports and Total Dollar Value for Audits with Questioned Costs	None
Section 5(a)(9)	Total Number of Reports and Total Dollar Value for Audits with Recommendations That Funds Be Put to Better Use	None
Section 5(a)(10)	Summary of Prior Audit Products 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
Section 5(a)(13)	Reporting in Accordance with Section 05(b) of the Federal Financial Management Improvement Act of 1996 Remediation Plan	None

Debt Collection

The Senate Report accompanying the supplemental Appropriations and Rescissions Act of 1980 (Public Law 96-304) requires Inspector Generals to report amounts due the Agency as well as the amounts that are overdue and written off as uncollectible. NASA's Financial Management Division provides this data each November for the previous fiscal year. For the period ending September 30, 2007, the receivables due from the public totaled \$2,766,066, of which \$1,036,743 is delinquent. The amount written off as uncollectible for the period October 1, 2006, through September 30, 2007, was \$260,664.

B. Statistical Information

During the period October 1, 2007, through March 31, 2008, the Office of Audits issued 24 products.

Table 1: Audit Products and Impact

REPORT NO./ DATE ISSUED	TITLE	IMPACT
Audit Area: Space Operations and Exploration (Transition)		
IG-07-013a 02/19/2008	Addendum to Final Memorandum on Marshall Space Flight Center's Approach to Establishing Product Data Management and Mechanical Computer-Aided Design Software Tools as Standard Center-Wide (Report No. IG-07-013, July 24, 2007)	Clarification of computer-aided design software classification definitions to reduce the potential for misclassification and to ensure an increased rigor in risk mitigation related to products used to design or support human space flight components or systems.
Audit Area: Safety (Managing Risk)		
IG-08-009 02/15/2008	Shuttle Training Aircraft Mishap on October 19, 2007	Assurance that aircrew and Agency actions following the Shuttle Training Aircraft mishap, including mishap investigation board independence, were appropriate.
IG-08-012 03/10/2008	Glenn Research Center's Land-based Mobile Communications System	Assurance that Glenn Research Center's land-based mobile communications system complies with Federal requirements.
IG-08-014 03/31/2008	National Aviation Operations Monitoring Service	Assurance that NASA evaluates the NAOMS research project and provides public access to relevant information concerning the project and collected data.
Audit Area: Financial Management		
IG-08-001 11/15/2007	Audit of the National Aeronautics and Space Administration's Fiscal Year 2007 Financial Statements Performed by Ernst & Young LLP	Improvements in NASA's ability to provide auditable financial statements and sufficient evidence to support the financial statements throughout the fiscal year and at year-end.
IG-08-002 11/26/2007	E&Y Final Report on Information Technology Findings and Recommendations in Connection with the Audit of NASA's FY 2007 Financial Statements	Improvements in the effectiveness of the information technology control environment.
IG-08-004 12/11/2007	NASA's Accounting for Real Property Leased to Other Entities	Revised policies and procedures and proper accounting of real property leased to other entities.
IG-08-005 12/11/2007	NASA's Accounting for Capitalized Real Property Designated as Inactive	Revised policies and procedures and proper accounting of real property designated as inactive.

Table 1: Audit Products and Impact (continued)

REPORT NO./ DATE ISSUED	TITLE	IMPACT
Audit Area: Financial Management (continued)		
IG-07-031a 01/14/2008	Addendum to Final Report on System Integration Testing of the Systems, Applications, and Products Version Update Needed Improvement (Report No. IG-07-031, September 28, 2007)	Assurance that “very high” severity defects would be resolved and that “high” severity defects must be resolved or have a documented work-around prior to the readiness review.
IG-08-011 02/29/2008	Transmittal of the Final “Status of Fiscal Year 2006 Management Letter Findings and Recommendations” Letter, Prepared by Ernst & Young LLP, in Connection with the Audit of the National Aeronautics and Space Administration’s Fiscal Year 2007 Financial Statements	Assurance that the internal control weaknesses and other matters identified during NASA’s FY 2006 financial statements audit had either been readdressed in the FY 2007 financial statement audit or had not been found.
IG-08-013 03/24/2008	NASA’s Documentation of Readiness for Award Form Usage for Site-Specific Earmarks	Assurance that internal records documenting the period of performance and work performed by NASA for site-specific earmarks are accurate.
Audit Area: Information Technology		
IG-08-003 01/30/2008	NASA’s Budget Year 2008 Capital Asset Plan and Business Case (Exhibit 300) Submissions	Improvements in the Exhibit 300 preparation and review process led to the accuracy, completeness, and consistency of data being reported for BY 2009.
IG-08-010 02/28/2008	Retention of NASA’s Official Electronic Mail	Compliance with electronic records management requirements and assurance that NASA is retaining official e-mail communication.
Audit Area: Acquisition and Contracting		
IG-07-030a 12/06/2007	Addendum to Audit of Marshall Space Flight Center’s Administration of Government Property Held Off-Site by Contractors (Report No. IG-07-030, September 28, 2007)	Improved accountability over Government-owned property held off-site by contractors.
IG-08-006 12/19/2007	NASA’s Management of the Flight Project for the Geostationary Operational Environmental Satellite Series-R Program	Increased assurance that NASA’s ability to effectively procure, manage, and execute the NASA portion of the GOES-R Satellite will not be impeded by the level of oversight.
IG-08-016 03/31/2008	NASA’s Global Precipitation Measurement Project	Assurance that contractor cost proposals were reasonable and NASA was taking appropriate steps to mitigate potential cost overruns and schedule delays.

Table 1: Audit Products and Impact (continued)

REPORT NO./ DATE ISSUED	TITLE	IMPACT
Audit Area: Other		
IG-07-027a 11/30/2007	Addendum to Final Memorandum on Observations on the Review and Approval of Glenn Research Center's Relocation of the Cryogenic Components Laboratory Facility (Report No. IG-07-027, September 28, 2007)	Assurance that senior management is aware of the work needed to complete the Cryogenic Components Laboratory facility and the estimated costs for completion.
Audit Area: Quality Control Reviews		
IG-08-007 02/15/2008	Faw, Casson & Company, LLP's Audit of Wallops Exchange and Morale Association Financial Statements for Fiscal Year Ended September 30, 2006	Ensure compliance with Department of the Treasury regulations and generally accepted government auditing standards.
IG-08-008 02/21/2008	Final Memorandum on Management of the Wallops Exchange and Morale Association	Ensure compliance with Department of the Treasury regulations and generally accepted government auditing standards.
IG-08-015 03/31/2008	Mayer, Hoffman, McCann, P.C., Office of Management and Budget Circular A-133 Audit of the Florida Atlantic University Research Corporation for Fiscal Year Ended June 30, 2005	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133.
Audit Area: Initial Reviews		
ML-08-001 10/10/2007	Gelman, Rosenberg & Freedman Audit Report on the Foundation for Earth Science Information Partners for Fiscal Year Ended September 30, 2005	Compliance with OMB Circular A-133.
ML-08-002 02/15/2008	Putman, Blackwell and Company, P.C. Audit Report on the Alabama Space Science Exhibit Commission for Fiscal Year Ended September 24, 2006	Compliance with OMB Circular A-133.
ML-08-003 02/27/2008	Derrick, Stubbs & Stith, LLP Audit Report on the South Carolina Association of School Administrators for Fiscal Year Ended June 30, 2006	Corrective actions to ensure compliance with OMB Circular A-133.
ML-08-004 03/04/2008	Keegan, Linscott and Kenon, P.C. Audit Report on the Planetary Science Institute for Fiscal Year Ended January 31, 2006	Corrective actions to ensure compliance with OMB Circular A-133.

During this reporting period, October 1, 2007, through March 31, 2008, the OA reviewed 13 allegations it received as referrals that were either unsubstantiated or without merit.

Table 2: Allegations Unsubstantiated or Without Merit

DATE CLOSED	ALLEGATION	CONCLUSION
10/12/2007	Operation of a private equity investment vehicle resulted in gross mismanagement.	The private equity investment vehicle was operated in accordance with the Space Act Agreement established prior to its termination.
10/12/2007	Use of untrained personnel resulted in excessive overcharges and delayed deliverables.	The work was being performed by qualified personnel and was in accordance with the provisions of the contract.
10/12/2007	Proposed sole-source procurement appeared questionable.	The procurement was overtaken by events, and project funding was cancelled.
10/26/2007	Limitations of NASA's accounting system resulted in noncompliance with aircraft cost accounting and reporting.	System classification codes were being implemented in accordance with applicable aircraft cost accounting and reporting requirements.
11/15/2007	Improper procurement practices were used in contract administration and contract award. [GAO FraudNET Referral #51013]	No evidence suggesting inappropriate contract administration or violation of applicable regulations during the contract award.
11/29/2007	Contract was not competitively awarded.	The contract was competitively awarded.
11/29/2007	Improper practices were used to install a heating facility at Kennedy Space Center. [GAO FraudNET Referral #47550]	The data used to support the installation was reasonable and the contract was awarded in compliance with applicable laws and regulations.
12/14/2007	Pressure Vessels and Pressurized Systems Program at White Sands Test Facility was neglected, raising potential safety concerns.	There was no imminent threat to personnel and facilities, and the health and safety training programs and engineering and procedural controls were adequate.
01/03/2008	Contract requirements were improperly withdrawn from the small business program.	The contract was awarded in compliance with applicable regulations.
02/07/2008	Crew Exploration Vehicle Parachute Assembly test data was manipulated to conceal serious defects.	The defects were widely acknowledged and the system was redesigned, significantly reducing the probability of defects.
02/14/2008	Procurement of microgravity aircraft services might be improper, resulting in a waste of funds and potential safety concerns.	NASA was in compliance with applicable regulations and had taken appropriate actions to mitigate pricing and safety concerns prior to contract award.
03/13/2008	Security information used to verify system user identity might not be properly controlled.	NASA has adequate internal controls in place to properly protect user security information from unauthorized access.
03/27/2008	NASA is supervising contractor employees in violation of personal services guidelines.	Contractors were appropriately supervised and were in compliance with the provisions of the contract.

Table 3: Prior Significant Audit Recommendations Yet to Be Implemented

REPORT NO./ DATE ISSUED	TITLE	DATE RESOLVED	NUMBER OF RECOMMENDATIONS		LATEST TARGET CLOSURE DATE
			OPEN	CLOSED	
NEW SINCE LAST REPORTING PERIOD					
Audit Area: Space Operations and Exploration (Transition)					
IG-07-013 07/24/2007	Marshall Space Flight Center's Approach to Establishing Product Data Management and Mechanical Computer-Aided Design Software Tools as Standard Center-Wide	02/19/2008	1	2	01/29/2010
Audit Area: Financial Management					
IG-07-025 08/14/2007	Audit of NASA's Compliance with Federal Internal Control Reporting Requirements	08/14/2007	5	3	01/31/2009
IG-07-022 07/20/2007	Internal Controls over NASA's Transit Subsidy Program at Headquarters and Goddard Space Flight Center Needed Improvement	07/20/2007	2	2	05/31/2008
IG-07-019 07/18/2007	NASA Could Improve Controls and Lower the Costs of the Intergovernmental Personnel Act Mobility Program	07/18/2007	6	2	07/31/2008
Audit Area: Information Technology					
IG-07-024 08/28/2007	NASA's Implementation of the Privacy Provisions of the Electronic Government Act	08/28/2007	2	0	05/30/2008
IG-07-014 06/19/2007	Controls over the Detection, Response, and Reporting of Network Security Incidents Needed Improvement at Four NASA Centers Reviewed	06/19/2007	4	4	05/31/2010
Audit Area: Acquisition and Contracting					
IG-07-030 09/28/2007	Marshall Space Flight Center's Administration of Government Property Held Off-Site by Contractors	12/06/2007	3	1	04/25/2008
IG-07-029 09/18/2007	Audit of NASA Education and Training Grants	09/07/2007	2	1	08/29/2008

Table 3: Prior Significant Audit Recommendations Yet to Be Implemented (continued)

REPORT NO./ DATE ISSUED	TITLE	DATE RESOLVED	NUMBER OF RECOMMENDATIONS		LATEST TARGET CLOSURE DATE
			OPEN	CLOSED	
REPORTED IN PREVIOUS SEMIANNUAL REPORTS					
Audit Area: Space Operations and Exploration (Transition)					
IG-07-005 01/29/2007	NASA's Plan for Space Shuttle Transition Could Be Improved by Following Project Management Guidelines	05/07/2007	2	1	05/31/2008
Audit Area: Financial Management					
IG-07-003 11/21/2006	Governance of the Systems, Applications, and Products Version Update Project Needs Improvement	11/21/2006	3	3	09/30/2009
Audit Area: Information Technology					
IG-05-025 09/16/2005	NASA's Performance Measure Data Under the Federal Information Security Management Act	09/16/2005	1	4	09/30/2008
IG-05-016 05/12/2005	NASA's Information Technology Vulnerability Assessment Program	05/12/2005	1	3	09/30/2009
Audit Area: Other					
IG-06-016 08/29/2006	NASA's Implementation of the National Incident Management System	08/29/2006	2	4	07/31/2008

Table 4: Status of A-133¹ Findings and Questioned Costs Related to NASA Awards

Total audits reviewed	51
Audits with recommendations	7
Total disallowed/questioned costs	\$2,533
Total disallowed/questioned costs recovered/sustained	\$2,533
Recommendations:	
Beginning balance	46
New recommendations	12
Recommendations dispositioned	46
Ending balance	12

¹ OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," requires Federal award recipients to obtain audits of their Federal awards.

Table 5: Legal Activities and Reviews

FOIA matters	18
Appeals	2
Inspector General subpoenas issued	24
Regulations reviewed	30

Table 6: Investigations Activities**a. Complaint Intake Disposition**

SOURCE OF COMPLAINT	ZERO FILES ¹	ADMINISTRATIVE INVESTIGATIONS ²	MANAGEMENT REFERRALS ³	PRELIMINARY INVESTIGATIONS ⁴	TOTAL
Hotline	24	17	20	8	69
All others	66	10	4	77	157
Total	90	27	24	85	226

¹ Zero files are complaints for which no action is required or that are referred to NASA management for information only or to another agency.

² Administrative investigations are non-criminal matters initiated by the OI.

³ Management referrals are complaints referred to NASA management for which a response is requested.

⁴ Preliminary investigations are complaints for which additional information must be obtained prior to initiating a full criminal or civil investigation.

b. Full Investigations Opened this Reporting Period

Full criminal/civil investigations ¹	30
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¹ Full investigations evolve from preliminary investigations that result in a reasonable belief that a violation of law has taken place.

c. Cases Pending at End of Reporting Period

Preliminary investigations	84
Administrative investigations	56
Full criminal/civil investigations	129
Total	269

d. Qui Tam Investigations¹

Opened this reporting period	2
Pending at end of reporting period ²	11

¹A qui tam is a civil complaint filed by an individual on behalf of the U.S. Government under the Civil False Claims Act.

²The number of qui tam investigations is a subset of the total number of investigations opened and pending.

e. Judicial Actions

Cases referred for prosecution	57
Indictments/informations	15
Convictions/plea bargains	23
Sentencing/pre-trial diversions	15
Civil Settlements/judgments	3
Court ordered recoveries from criminal/civil cases ¹	\$8,124,154
NASA attributions	\$1,704,174

¹Includes restitutions, fines, penalties, and settlements.

f. Administrative Actions

Case results referred to NASA management for disciplinary action ¹		24
Involving NASA employee(s)	14	
Involving contractor employee(s)	7	
Involving contractor firm(s)	1	
Other	2	
Administrative/disciplinary actions		16
Against NASA employee(s)	9	
Against contractor firm(s)	0	
Reported action taken by contractor against contractor employee	7	
Program recommendations made to NASA management		4
Cases referred to other agencies		2
Suspensions or debarments from Government contracting		4
Involving individuals	3	
Involving contractor firms	1	
Total administrative recoveries ¹		\$1,307,153
NASA attributions	\$973,324	
NASA property	\$333,829	

¹May include administrative recoveries resulting from criminal or civil cases.

Defense Contract Audit Agency Audits of NASA Contractors

The Defense Contract Audit Agency (DCAA) provides various audit services to NASA on a reimbursable basis. DCAA provided the following information during this period on reports involving NASA contract activities.

DCAA Audit Reports Issued

During this period, DCAA issued 459 audit reports on contractors who do business with NASA. Corrective actions taken in response to DCAA audit report recommendations usually result from negotiations between the contractors doing business with NASA and the Government contracting officer with cognizant responsibility (e.g., Defense Contract Management Agency and NASA). The cognizant agency responsible for administering the contract makes the decision to accept or reject the questioned costs or funds put to better use, and negotiates recoveries with the contractor. The following table shows the amounts of questioned costs and funds be put to better use based on reports issued, and those amounts agreed to, during the reporting period.

Table 7: DCAA Audit Reports with Questioned Costs and Recommendations that Funds Be Put to Better Use, and Amounts Agreed To During the Reporting Period^{1, 2}

	DOLLAR VALUE OF REPORTS ISSUED	DOLLAR VALUE OF AMOUNTS AGREED TO ³
Questioned Costs	\$14,967,000	\$6,592,000
Funds Be Put to Better Use	\$229,259,000	\$168,835,000

¹This data is provided to the NASA OIG by the DCAA and may include forward pricing proposals, operations, incurred costs, cost accounting standards, and defective pricing 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.

²The data presented does not include statistics on audits that resulted in contracts not awarded or in which the contractor was not successful.

³An amount in this column may exceed the amount in the preceding column because it reflects an amount management agreed to that is higher than what was recommended, or it includes an amount recommended in a previous reporting period that was accepted in the current fiscal year.

C. Glossary and Acronyms

Glossary

Final Action (the IG Act of 1978 definition). The completion of all actions that management has concluded, in its decision, are necessary with respect to the findings and recommendations included in an audit report. 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 restitutions; and (3) out-of-court settlements, including administrative actions resulting in non-court settlements.

Investigative Referrals. Investigative referrals are cases that require additional investigative work, civil or criminal prosecution, or disciplinary action. Those 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 to 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 that management concludes are necessary.

Material Weakness. Reportable conditions that the agency head determines to be significant enough to report outside the agency. A reportable condition is a control deficiency, or combination of control deficiencies, that in management's judgment should be communicated because it represents significant weaknesses in the design or operation of internal controls that could adversely affect the organization's ability to meet its internal control objectives.

Prosecutive Activities. Investigative cases referred for prosecution that are no longer under the jurisdiction of the OIG, except for cases on which further administrative investigation may be necessary. This category comprises 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 questioned costs. 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.

Recommendation that Funds Be Put to Better Use (the IG Act of 1978 definition). A recommendation by the OIG that funds could be more efficiently used if management took actions to implement and complete the recommendation, including (1) reductions in outlays; (2) de-obligation 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 noted in preaward reviews of contract or grant agreements; or (6) any other savings that 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 the accomplishment of program objectives.)

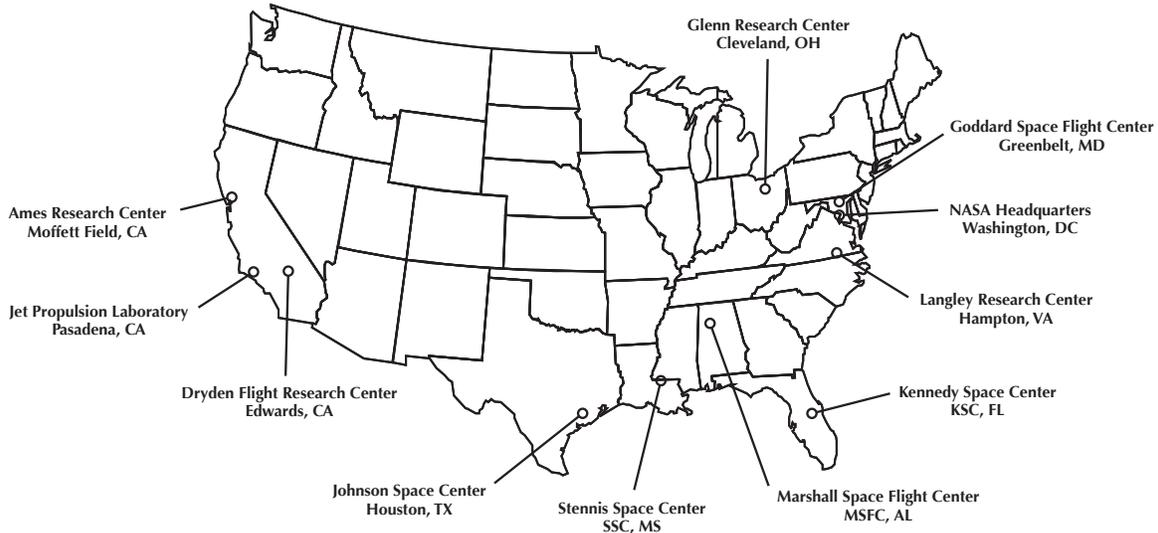
Unsupported Cost (the IG Act of 1978 definition). An unsupported cost is a cost that is questioned by the OIG because the OIG found that, at the time of the audit, the cost was not supported by adequate documentation.

Acronyms

AIP	Acquisition Integrity Program
ASMM	Aviation Safety Monitoring and Modeling
BY	Budget Year
CCIG	Council of Counsels to the Inspectors General
CCL	Cryogenic Components Laboratory
CFO	Chief Financial Officer
CO	Contracting Officer
DCAA	Defense Contract Audit Agency
DOD	Department of Defense
DOJ	Department of Justice
DORA	Documentation of Readiness for Award
E&Y	Ernst & Young LLP
ECIE	Executive Council on Integrity and Efficiency
EPTS	Ethics Program Tracking System

FAR	Federal Acquisition Regulation
FLETC	Federal Law Enforcement Training Center
FOIA	Freedom of Information Act
FP&L	Florida Power and Light Company
FY	Fiscal Year
GAO	Government Accountability Office
GOES-R	Geostationary Operational Environmental Satellite, Series-R
GPM	Global Precipitation Measurement
GSA	General Services Administration
IEM	Integrated Enterprise Management
IG	Inspector General
IT	Information Technology
MCAD	Mechanical Computer-aided Design
NAOMS	National Aviation Operations Monitoring Service
NARA	National Archives and Records Administration
NASA	National Aeronautics and Space Administration
NTIA	National Telecommunications and Information Administration
OA	Office of Audits
OCE	Office of the Chief Engineer
OCIO	Office of the Chief Information Officer
OI	Office of Investigations
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMP	Office of Management and Planning
ORR	Operational Readiness Review
PCIE	President's Council on Integrity and Efficiency
PDM	Property Data Management

D. NASA Field Centers and Facilities



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If requested, anonymity is assured to the extent permitted by law. Information is confidential.

