

NASA OFFICE OF INSPECTOR GENERAL

SEMIANNUAL REPORT

OCT. 1, 2009—MAR. 31, 2010







FROM THE INSPECTOR GENERAL

I am pleased to submit my first Semiannual Report to Congress as Inspector General for the National Aeronautics and Space Administration (NASA). This report, which summarizes the accomplishments of the Office of Inspector General (OIG) from October 1, 2009, through March 31, 2010, highlights the OIG's wide-ranging oversight activities.

The President's fiscal year 2011 budget request represents a significant shift in how NASA will pursue the development of advanced technologies, spacecraft, and human space exploration. These changes, together with the proposed cancellation of the Constellation Program, if approved by Congress, will present NASA with significant new challenges.

At the same time, Agency leaders must keep their focus on the top management and performance challenges previously identified by the OIG, many of which have confronted NASA leadership for most of the past decade:

- Transitioning from the Space Shuttle to the Next Generation of Space Vehicles
- Managing Risk to People, Equipment, and Mission
- Financial Management
- Acquisition and Contracting Processes
- Information Technology Security

In the months ahead, we will continue to examine NASA's efforts to address these and other challenges, in particular issues affecting safety, information technology, and procurement. Moreover, the OIG's dedicated staff will examine the issues and programs that are most important to the Agency, the Administration, and Congress. In closing, we note with deep appreciation the significant contributions of Tom Howard, Deputy Inspector General, who retired earlier this year.

We hope that you find this report informative.

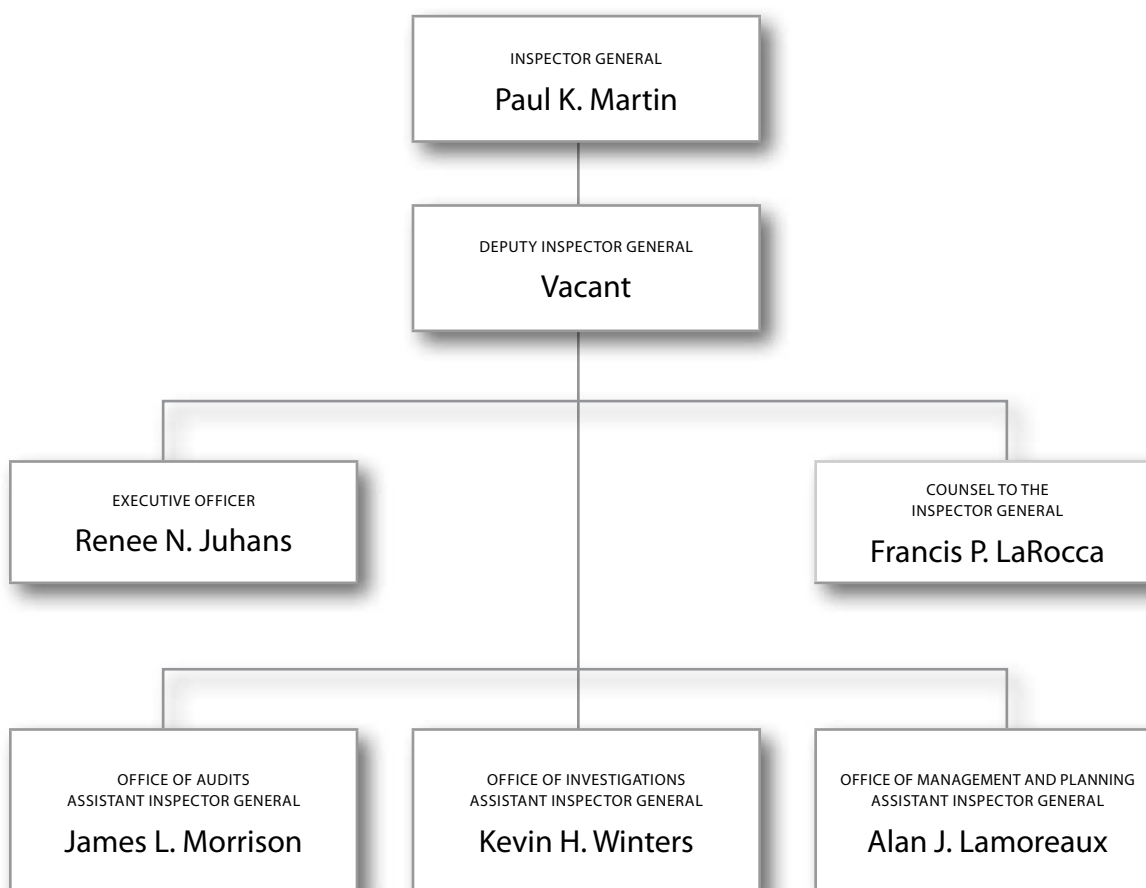
A handwritten signature in black ink that reads "PKM-A". The letters are stylized and connected.

Paul K. Martin
Inspector General
April 30, 2010

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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 fraud, waste, abuse, and mismanagement and to assist NASA management in promoting economy, efficiency, and effectiveness. The OIG's fiscal year (FY) 2010 budget of \$36.4 million supports the work of 194 employees in their audit, investigative, and administrative activities.

THE INSPECTOR GENERAL (IG) 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 supervision to the Assistant Inspectors General and Counsel to the Inspector General in the development and implementation of the OIG's diverse audit, investigative, legal, and support operations. 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 legal advice and assistance to OIG senior management, auditors, and investigators. The Office serves as OIG counsel in administrative litigation and assists the Department of Justice (DOJ) when the OIG participates as part of the prosecution team or when the OIG is a witness or defendant.

THE OFFICE OF AUDITS (OA) conducts independent and objective audits and reviews of NASA programs, projects, operations, and contractor activities. In addition, OA oversees the work of the independent public accounting 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 cybercrime, fraud, waste, abuse, and misconduct that could have an impact on NASA programs, projects, operations, and resources. OI refers its findings either to the DOJ for criminal prosecution and civil litigation or to NASA management for administrative action. Through its investigations, OI develops recommendations for NASA management 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) support to OIG staff.

NASA'S TOP MANAGEMENT AND PERFORMANCE CHALLENGES

As required by the Reports Consolidation Act of 2000, each IG of a Federal agency annually summarizes what the IG considers to be the most serious management and performance challenges facing that agency. In determining whether to identify an issue as a top challenge, we consider its significance in relation to the Agency's mission; its susceptibility to fraud, waste, and abuse; whether the underlying problems are systemic; and the Agency's progress in addressing the issue. Through various Agency initiatives and by implementing recommendations made by the OIG and other evaluative bodies, such as the Government Accountability Office (GAO), NASA has made improvements in a variety of Agency programs and operations. However, challenges remain in several areas. The following list represents the OIG's assessment of NASA's top management and performance challenges as of November 2009.

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

NASA's most pressing challenge continues to be maintaining the critical skills and capabilities required to safely and effectively fly the Space Shuttle until its retirement while transitioning to the next generation of space vehicles. In 2004, the *President's Vision for U.S. Space Exploration* caused a substantive reorganization of NASA's strategic priorities, established a timeline for the retirement of the Space Shuttle, established the completion date for the International Space Station, and set the goals of returning to the Moon and reaching Mars. However, fiscal limitations and technical challenges have hampered NASA's efforts to effectively implement the Vision.

NASA faces several transition challenges, including reducing the gap between the last planned Shuttle flight in 2010 and the first planned Ares I and Orion flight in 2015, sustainment of the International Space Station after the last Space Shuttle mission, and the effective management and transition of civil service and contractor personnel assigned to the Space Shuttle and the Constellation Programs.¹

Recognizing the significance of properly managing the transition, various NASA councils, such as the Program Management Council, Operations Management Council, and Strategic Management Council, routinely review the progress of the Space Shuttle retirement plan, to include transition metrics, decisions, and impact on facilities. In addition, in July 2009, NASA published the third edition of the "NASA Workforce Transition Strategy," which details civil service and contractor Shuttle and Constellation workforce projections and requirements at NASA's Centers.

¹ In February 2010, the President submitted to Congress his FY 2011 budget request for NASA. A key feature of the proposal is the termination of the Constellation Program at the end of FY 2010. As of the date of this Semiannual Report, Congress had held several oversight and appropriations hearings, but final action on the budget request is months away.

Managing Risk to People, Equipment, and Mission

Ensuring the success of NASA's mission is the goal of effective risk management. Safety and mission assurance controls are key to supporting robust and reliable operations in the context of very challenging launch and mission schedules. NASA program managers are constantly confronted with risks introduced by fiscal limitations, schedule demands, and changing priorities. In addition, the OIG has investigated cases involving damaged, counterfeit, or inferior parts purchased by NASA. Technical challenges, competition for scarce resources, and U.S. economic constraints add risk to international and commercial partnerships. Close scrutiny by NASA management and adherence to the fundamentals of project and program management, risk identification and mitigation, and proven acquisition strategies are critical to accomplish Agency goals.

Financial Management

Over the past year, NASA continued to make progress in improving its internal control over financial reporting by executing its Continuous Monitoring Program (CMP). The CMP assesses internal controls, compliance with generally accepted accounting principles, and evidence used to support that balances and activity reported in NASA's financial statements are accurate and complete by requiring Centers to perform a set of control activities. Throughout FY 2009, the CMP operated as designed.

Although NASA made significant progress in developing policies, procedures, and controls to improve the Agency's financial processes and systems, difficult challenges remain. Specifically, during FY 2009 NASA management and the OIG's contracted independent accounting firm, Ernst & Young LLP (E&Y), continued to identify deficiencies in the Agency's system of internal control, which impair NASA's ability to timely report accurate financial information. The most severe deficiency involves NASA's internal control over legacy property, plant, and equipment. See page 12 for a summary of NASA's FY 2009 financial statement audit.

Acquisition and Contracting Processes

One of NASA's long-standing management challenges relates to systemic weaknesses in its acquisition and contracting processes. GAO first identified NASA's contract management as a high-risk area in 1990, citing NASA's undisciplined cost-estimating processes in project development, the project managers' inability to obtain information needed to assess contract progress, and persistent cost growth and schedule slippage in most of its major projects. GAO noted improvements to NASA's processes in its most recent update to the high-risk areas, "High Risk Series: An Update" (GAO-09-271, January 2009), but noted that "it will take several years to fully implement these initiatives and transform the agency into an organization that delivers the kind of

analysis and forward-looking information needed to effectively manage its many complex programs.” During 2009, the OIG found that NASA management continued to emphasize more disciplined acquisition management processes. However, both OIG and GAO audits and investigations continue to reveal systemic weaknesses in acquisition and procurement, to include awards as part of the Small Business Innovation Research (SBIR) Program.

Information Technology Security

Although our focus is on NASA’s need to strengthen its IT security program, we recognize that achieving this goal will occur through improvements in the Agency’s overarching IT management practices. In FYs 2006 and 2007, NASA reported IT security as a material weakness in the Administrator’s annual Statement of Assurance. Over the past several years, NASA has implemented various solutions in an attempt to improve its IT security, resulting in continued incremental improvements across NASA’s IT infrastructure. However, significant challenges remain. Specifically, not all solutions have been fully implemented and ongoing breaches of NASA computer systems have resulted in the theft of sensitive data related to Agency programs, which adversely affected NASA’s mission and resulted in millions of dollars in losses.

To prevent future breaches of its computer systems, the Agency implemented the Cyber Threat Analysis Program in 2008 to proactively detect and handle intrusions into NASA’s cyber assets. NASA also initiated the Security Operations Center (SOC) project to consolidate Agency security operations and incident response capabilities. The SOC is expected to be fully operational in FY 2010 and will provide the Agency with end-to-end visibility and real-time monitoring of its computer networks and systems. In addition, the Agency reported making significant progress implementing corrective actions related to IT security weaknesses identified in OIG audits as well as meeting its annual requirements under the Federal Information Security Management Act (FISMA). See page 14 for a summary of the OIG’s FY 2009 FISMA audit. Because the threat to NASA’s computer networks and systems is evolving, both in scope and sophistication, much work remains in order for NASA to fully implement a reliable IT security program.

NASA’s Most Serious Management and Performance Challenges (November 13, 2009)
<http://oig.nasa.gov/NASA2009ManagementChallenges.pdf>

AUDITS AND INVESTIGATIONS

Space Operations and Exploration

Transitioning from Space Shuttle operations to the next generation of space exploration vehicles remains the most highly visible aspect of NASA's space operations and exploration missions. During this semiannual reporting period, the OIG evaluated NASA's plans for completing the remaining Space Shuttle flights to support the International Space Station and retire the Shuttle Program. In addition, we examined the criteria for granting an exception to NASA's policy for using the metric system in Agency programs.

NASA Likely to Complete Last of the Remaining Shuttle Flights in 2011

We found that NASA had made steady progress in completing the scheduled Space Shuttle flights and was working on a timetable to launch the remaining flights and retire the Shuttle Program by September 2010. However, our calculations and NASA internal reviews indicated that it will most likely take until early 2011 to complete the last of the four remaining flights. Nevertheless, NASA continues to work toward the September 2010 Shuttle retirement date and plans to spend up to \$54 million in personnel overtime costs to help maintain the schedule. Retiring the Shuttle on schedule could allow the Agency to redirect millions of dollars toward other priority programs by limiting the need to fund Shuttle operations in FY 2011 at a cost of \$200 million a month.

We also found that although NASA developed clear plans for managing the Shuttle Program's transition and retirement (T&R) activities through FY 2010, NASA had delayed finalizing plans for T&R activities in FY 2011 and beyond to concentrate on completing the remaining Space Shuttle flights by September 2010.

We did not recommend that NASA adjust its current Space Shuttle flight manifest in light of its attempts to reduce operating costs for the Shuttle Program. However, we recommended that NASA finalize the post-FY 2010 organization structure and plans for Space Shuttle T&R activities by July 2010 to facilitate effective implementation of the full scope of T&R activities, given the Agency's estimate that Shuttle T&R activities from FY 2011 through FY 2015 will cost \$460 million.

Management concurred with our recommendation.

Review of NASA's Progress on Retiring the Space Shuttle Program (IG-10-012, March 25, 2010)

<http://oig.nasa.gov/audits/reports/FY10/IG-10-012.pdf>

Improvements Needed when Granting Exceptions to the Requirement to Use the Metric System

We examined the Constellation Program's request for an exception to NASA's policy that requires use of the metric system in Agency programs. The exception would reverse the Agency's decision made 2 years earlier to implement the metric system in Constellation.

We concluded that the Constellation Program's request does not clearly meet NASA criteria for granting such an exception and that NASA had not considered the long-term impact of exception decisions on future NASA projects. We also found that NASA's written policy directing use of the metric system in Agency programs is deficient in several respects. First, the policy does not define the term "adds unacceptable risk," which leads to differing interpretations of the risks that programs can cite when seeking an exception to using the metric system. Second, the policy does not provide a mechanism for exceptions to be reevaluated in the event new projects are added to an exempt program or improvements are made in the availability of metric-measured parts. Finally, we concluded that NASA's ability to implement the metric system is influenced by the Department of Defense (DOD), which has not fully embraced the metric system as the manufacturing standard in its projects. Moreover, because of the size of its contracts, DOD exerts an overriding influence on the U.S. aerospace industry, including NASA.

We recommended that (1) prior to granting exceptions to the requirement to use the metric system, NASA should ensure that a benefit–cost analysis is conducted to determine the short- and long-term impact of not implementing the metric system; (2) NASA policy documents should be revised to ensure that NASA program and project managers effectively implement the metric system policy and to more clearly define criteria for granting an exception; and (3) NASA should engage DOD and other interested Federal agencies to develop a strategy for broader implementation of the metric system within the aerospace industry.

NASA concurred with our recommendations and said it will clarify the requirement to conduct a rigorous evaluation, including a nonquantitative discussion of the costs and benefits of using the metric system, in future updates to Agency policy; ensure that each new project will be evaluated for its ability to implement the metric system; and initiate an engagement activity with DOD, the Federal Aviation Administration, the Aerospace Safety Advisory Panel, and others to develop a long-term metric system implementation strategy within the aerospace industry. However, management did not adequately address our concerns in regard to revising the policy and clearly defining exception criteria or ensuring that NASA policy complies with Federal law and Executive Orders. Therefore, we requested additional comments in response to our revised recommendation that NASA establish a NASA Procedural Requirements document to ensure that NASA program and project managers effectively implement the metric system policy to the fullest extent possible.

Review of the Constellation Program's Request to Discontinue Using the Metric System of Measurement (IG-10-011, March 29, 2010)

<http://oig.nasa.gov/audits/reports/FY10/IG-10-011.pdf>

Financial Management

Financial management remains a significant management challenge for NASA. During this semiannual reporting period, the independent external auditor and the OIG continued to assess the Agency's efforts to improve its financial management and make recommendations to assist NASA in addressing weaknesses.

Continued Internal Control Weaknesses Noted in Disclaimer on FY 2009 Financial Statements

The Chief Financial Officers Act of 1990 requires the IG, or an independent external auditor as determined by the IG, to annually audit NASA's financial statements. E&Y has audited NASA's financial statements since FY 2004, and in each of those years NASA received a disclaimer of opinion indicating that it was unable to develop sufficient evidentiary support for the amounts presented in the Agency's financial statements. In its most recent report, E&Y again disclaimed an opinion on NASA's financial statements for the fiscal years ended September 30, 2009, and 2008, noting continued weaknesses in NASA's internal controls over accounting for legacy assets, such as the Space Shuttle and International Space Station. However, E&Y did note that the Agency had made significant progress in improving its financial processes and systems.

In its audit of NASA's FY 2009 financial statements, E&Y identified three significant deficiencies in internal controls with one considered a material weakness. First, E&Y reported a material weakness in NASA's controls for assuring that the financial statements fairly state the value of legacy property, plant, and equipment and materials. E&Y's identification of internal controls over legacy assets as a material weakness means there was a reasonable possibility that the controls were not sufficient to prevent a material misstatement in the financial statements. The other two internal control deficiencies cited by E&Y involved NASA's process for estimating environmental liabilities and its compliance with the Federal Financial Management Improvement Act of 1996. These three deficiencies were also noted in E&Y's report on NASA's special-purpose financial statements, for which E&Y also disclaimed an opinion. In its report, E&Y made recommendations to assist NASA in remediating the three deficiencies during FY 2010, to include implementing guidance allowing the use of estimates in establishing the value of legacy assets.

During the FY 2009 financial statement audit, E&Y also assessed the effectiveness of the information technology control environment (general and application controls) associated with NASA's Integrated Enterprise Management Program. E&Y noted that the NASA Enterprise Applications Competency Center, which operates and maintains many of the Agency's enterprise business systems, including the financial system, had taken significant steps to resolve a majority of E&Y's FY 2008 findings. E&Y reported four findings for FY 2009, three of which had been resolved as of September 30, 2009.

NASA management concurred with E&Y's recommendation related to the open finding and stated that it will take corrective action.

Audit of the National Aeronautics and Space Administration's Fiscal Year 2009 Financial Statements (IG-10-002, November 13, 2009)
<http://oig.nasa.gov/audits/reports/FY10/IG-10-002.pdf>

Ernst & Young LLP Final Report, "Information Technology Management Letter Comments" (IG-10-003, November 10, 2009)
<http://oig.nasa.gov/audits/reports/FY10/IG-10-003-summary.pdf>

Audit of the National Aeronautics and Space Administration's Fiscal Year 2009 Special-Purpose Financial Statements (IG-10-004, November 16, 2009)
<http://oig.nasa.gov/audits/reports/FY10/IG-10-004.pdf>

Improvements Needed in Planning for NASA Conferences

We analyzed NASA's reports on NASA-sponsored conferences with costs exceeding \$20,000 held during the first quarter of FY 2009 to determine whether NASA complied with the NASA Authorization Act of 2008, the General Services Administration Federal Travel Regulation, and NASA internal guidance on minimizing conference costs.

We found that NASA needed to improve its implementation of Federal guidance and NASA policies for planning conferences. For the conferences that we examined, we found instances where conference planners did not correctly complete cost comparisons of at least three facilities, did not select conference locations in close proximity to NASA Centers, and did not fully consider Government facilities when evaluating locations.

We also found that the costs for food and beverages provided at the conferences were excessive and that NASA management could reduce conference costs for local attendees. For example, light refreshment costs for one conference totaled \$62,611 or \$66 per day per attendee – more than the per diem meal rate allotted to Federal Government participants. Costs for another conference could have been reduced if NASA had selected a conference site closer to a NASA Center and local conference attendees had not lodged at the conference location.

Finally, NASA conference-planning officials and contracted event planners could not provide us with all of the supporting documentation for conference-related activities and expenses prior to completion of our audit work. The inability to provide this information calls into question the quality and completeness of NASA's conference record keeping.

We recommended a series of steps NASA should take to improve its conference planning guidance to facilitate cost-effective decision making in site selections. Specifically, we recommended that the Chief Financial Officer provide guidance – similar to other Federal Government agencies – regarding how to determine the reasonableness of light

refreshment expenses and to keep the cost of meals at conferences within the established requirements; that NASA consider reducing conference costs by not having local participants lodge at the conference facility; and that the Chief Financial Officer emphasize the importance of maintaining readily accessible documentation supporting conference costs.

Management concurred with our recommendations and promised to take corrective action.

Analysis of Fiscal Year 2009 NASA-Sponsored Conferences (IG-10-009, March 23, 2010)
<http://oig.nasa.gov/audits/reports/FY10/IG-10-009.pdf>

Information Technology

During this semiannual reporting period, NASA continued to address many of the IT security and management control issues the OIG has raised in past audits, evaluations, and investigations. Also during this reporting period, we conducted our annual independent assessment of NASA's IT security posture and the Agency's progress in improving IT security.

NASA Continues to Improve Internal Controls and Oversight for Information Technology

The annual FISMA report, submitted as a memorandum from the Inspector General to the NASA Administrator, provides the Office of Management and Budget (OMB) with our independent assessment of NASA's IT security posture. For FY 2009, we reviewed 24 non-national security Agency systems and 5 non-national security external systems. Our sample included systems from all 10 NASA Centers, NASA Headquarters, and the NASA Shared Services Center.

We found that NASA generally complied with FISMA and Agency privacy requirements regarding system certification and accreditation. However, we identified internal control weaknesses related to the Plan of Action and Milestones process, operating system configuration management, security controls testing, and contingency plan testing. In addition, we identified improvements that could be made in NASA's oversight for external systems.

We also evaluated Agency compliance with Privacy Act requirements and determined that policies, procedures, and internal controls were in place to adequately protect employees' personally identifiable information.

Federal Information Security Management Act: Fiscal Year 2009 Report from the Office of Inspector General (IG-10-001, November 10, 2009)
<http://oig.nasa.gov/audits/reports/FY10/IG-10-001-summary.pdf>

Contractor Agrees to \$3.5 Million Civil Settlement for Selling Data Storage Computers Containing Defective Microchip

A contractor that sold data storage computers containing defective microchips to the U.S. Government agreed to pay \$3.5 million in a civil settlement. In a qui tam complaint filed in Utah, the Relator alleged that the computers contained defective universal bus transceivers that could cause catastrophic hardware failure, rendering electronic data inaccessible to the computers' users. The OIG investigation disclosed that three NASA Centers had purchased data storage computers from the contractor, but found that the defective microchip had no operational impact on any NASA missions.

Army Sergeant and Co-Conspirators Sentenced for Theft

An Army sergeant and two co-conspirators were sentenced in the Northern District of Georgia on March 24, 2010, after pleading guilty to theft of Government computers. The investigation proved that the sergeant and his co-conspirators obtained 15 excess computers under fraudulent pretences from various agencies, to include NASA, and sold them for profit. The Army sergeant was ordered to pay \$163,000 in restitution and was sentenced to 18 months in prison and 3 years of probation. One co-conspirator was ordered to pay \$10,187 in restitution and sentenced to 6 months in prison, 3 years of probation, and 200 hours of community service. The other co-conspirator was ordered to pay \$12,124 in restitution and sentenced to 2 months' home confinement, 2 years' probation, and 100 hours of community service. The investigation was conducted jointly with the OIG, the Federal Bureau of Investigation (FBI), the Army Criminal Investigation Command, and the Air Force's Office of Special Investigations.

Former Government Employee Sentenced for Theft

On October 9, 2009, a Transportation Security Administration (TSA) employee was sentenced in the Eastern District of Kentucky to 3 years' incarceration, followed by 3 years' supervised release, and ordered to pay \$280,000 in restitution to the U.S. Government after pleading guilty to wire fraud. The TSA employee's sentencing stemmed from his role in fraudulently obtaining excess Federal Government equipment (including NASA computers) and selling them for personal profit through an Internet auction site.

Retired NASA Employee Sentenced for Violating NASA Regulations

A retired NASA employee who had worked at Goddard Space Flight Center entered a guilty plea in October 2009 to one count of Title 18, United States Code (U.S.C.), Section 799, "Violation of regulations of National Aeronautics and Space Administration," and was sentenced to 5 years' probation and ordered to pay \$2,025 in restitution and fines. The plea was the result of an OIG investigation into the employee's use of NASA computers to search for and view child pornography.

Acquisition and Contracting

Effective contract management, which is critical to NASA's ability to achieve its overall mission, has been a longstanding challenge for the Agency.

In February 2009, the President signed the American Recovery and Reinvestment Act of 2009 (the Recovery Act), which seeks to strengthen the U.S. economy through the creation of new jobs, spur technological advances in science and health, and invest in infrastructure that will provide long-term benefits. As a part of the Recovery Act, NASA received \$1 billion for its various missions, while the OIG received \$2 million to oversee use of these funds. The Recovery Act requires an unprecedented level of transparency and accountability, so that information about the acquisition of goods and services funded under the Act is readily available to the general public. The OIG's efforts in this area identified opportunities for NASA to improve its oversight of Recovery Act contracts and ensure Recovery Act funds are used for their intended purpose.

Former NASA Chief of Staff Indicted and Former NASA Deputy Chief Engineer Pleads Guilty

A former NASA Chief of Staff and a former Deputy Chief Engineer were charged in November 2009 with felony violations in the Southern District of Mississippi. The former Chief of Staff was charged with conspiracy, making two false statements, submitting four false claims, obstructing justice, and devising a scheme to defraud NASA under a contract valued in excess of \$1 million.

The Deputy Chief Engineer controlled \$1.5 million in discretionary funds intended for various research studies initiated by the Office of the Chief Engineer. The investigation found that he used the majority of the \$1.5 million he controlled to initiate several studies that financially benefitted himself and others, including the former Chief of Staff. The former Deputy Chief Engineer pled guilty in November 2009 to one count of violating conflict of interest laws.

In a separate case prosecuted in the District of Columbia, the former Chief of Staff was sentenced in November 2009 to 6 months of house arrest and 3 years' probation, and fined \$2,500. At trial, the former Chief of Staff was convicted of a conflict of interest and making false statements related to information provided to the NASA General Counsel.

Review of NASA's Recovery Act Plans

To meet the directives of the Recovery Act's requirement to assess the Agency's compliance with Recovery Act mandates and OMB's guidance, we reviewed NASA's Agency-Wide Recovery Act Plan for use of Recovery Act funds that NASA submitted to OMB on May 15, 2009.

Our initial review identified several compliance issues with respect to meeting the requirements of the OMB guidance. First, NASA's Agency-Wide Recovery Act Plan

provided insufficient detail about the Agency's broad Recovery Act goals in terms of outputs, outcomes, and expected efficiencies. Second, the Plan did not include a projection of the expected rate of competition or a rationale for those numbers, as required by OMB's guidance. Finally, the Plan did not address the use of fixed-price contracts as a percentage of all dollars spent or describe steps planned to maximize the use of fixed-price contracts where practicable for Recovery Act-funded contracts.

We discussed these issues with NASA's Recovery Act Implementation Executive and determined that the Agency was aware of the noncompliance issues and was taking steps to address them.

Final Memorandum on Analysis of NASA's Final Agency-Wide Recovery Act Plan (IG-10-006, January 5, 2010)

<http://oig.nasa.gov/audits/reports/FY10/IG-10-006.pdf>

Review of NASA's Program-Specific Recovery Act Plans

The Recovery Act requires Federal OIGs to assess their agency's compliance with Recovery Act mandates and with OMB's "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009" (April 3, 2009). Program-specific Recovery Act plans are intended to provide detailed summaries of projects and programs funded under the Recovery Act. Program plans are required to specify the objectives of the projects and programs as well as the benefits to the public. NASA submitted five program plans to OMB on May 15, 2009.

Our review of the five program plans found that they generally complied with OMB guidance, but that each had a number of minor compliance issues. Specifically, none of the five program plans included a description of periodic reviews of planned Recovery Act-related activities in the Monitoring and Evaluation section. In addition, one program plan did not identify projects and activities funded under the Recovery Act and did not properly address the section on Federal Infrastructure Investments.

We discussed these issues with NASA's Recovery Act Implementation Executive, who explained that the discrepancies were either the result of alternate formatting of information mutually agreed upon by NASA and OMB or of NASA not providing all required information while awaiting congressional concurrence with the Agency's FY 2009 Operating Plan. Based on the additional information provided, we concluded that each of the plans adequately addressed the requirements of the OMB guidance.

The Agency concurred with our observations.

Final Memorandum on Analysis of NASA's Final Program-Specific Recovery Act Plans (IG-10-005, January 5, 2010)

<http://oig.nasa.gov/audits/reports/FY10/IG-10-005.pdf>

Business Owner and Former University Professor Indicted

As the result of a joint investigation by the OIG and the Air Force's Office of Special Investigations and the Defense Criminal Investigative Service, a small business owner and her spouse, who worked as a university professor for a major research university, were charged in October 2009 in a 71-count indictment in the Northern District of Florida. The indictment charged the couple with conspiracy, 50 counts of wire fraud, 18 counts of money laundering, and 1 count of making false statements to NASA. The indictment also charged the business owner with making a false statement to Federal agents during the execution of a search warrant at her home. All of the charges relate to NASA and Air Force Small Business Innovation Research contracts allegedly obtained by the small business and the former university professor through fraudulent means.

Former Contractor Employee Charged

In December 2009, a former NASA contractor employee was charged in Harris County, Texas, with the theft of items that she had purchased using a contractor-provided procurement card. Items allegedly stolen by the employee included office supplies, camera equipment, and electronic equipment.

NASA Employee Indicted for Submitting False Travel Vouchers

A NASA employee at Ames Research Center was charged in October 2009 with one count of conspiracy, three counts of false claims, and two counts of false statements for submitting false travel claims. The employee received \$114,169 in overpayments by submitting false travel claims for extended and single-trip temporary duty.

Former Chief Scientist Sentenced for Conflict of Interest Violation

A former chief scientist in the Earth Sciences Division at Goddard Space Flight Center who had previously pled guilty to a criminal conflict of interest charge was sentenced on December 1, 2009, to 1 year of supervised probation, 50 hours of community service, and a \$10,000 fine. An OIG investigation determined that the former employee participated personally and substantially in a NASA contract in which his spouse had a financial interest. NASA also proposed debarment of the former employee from performing any contractual work for the U.S. Government.

Other Audit and Investigative Matters

Business Owner Sentenced for Fraud Involving Space Vehicle Parts

A business owner who previously pled guilty to fraud involving space vehicle parts was sentenced in October 2009 to serve 3 years' probation. The business owner covered up damage to a part he was manufacturing for the Space Shuttle Endeavour by having it welded without informing NASA or the prime contractor of the damage. The owner and the business were previously debarred from receiving any Government contracts for a period of 10 years.

Business Owner Sentenced for Fraud Involving Substandard O-Rings

The owner of a business that supplied substandard O-rings to NASA was sentenced in November 2009 to 30 months in prison followed by 3 years' supervised release. The business owner was also ordered to pay \$216,848 in restitution. The uncertified O-rings (rubber gaskets) were installed on Boeing 737 aircraft and were also sold to the Department of Transportation, DOD, and NASA subcontractors working on the Space Shuttle and aircraft in NASA's inventory. At sentencing, the court noted the severity of the crimes and indicated that the defendant's sentence should serve as a deterrent for other individuals involved in crimes affecting commercial aviation safety.

Ames Exchange Employee Indicted for Embezzlement

An Ames Research Center employee was charged in October 2009 with one count of theft for allegedly embezzling \$103,935 from the Ames Exchange Council.

NASA Improves Controls over Sensitive Technologies

In a February 4, 2010, report to Congress, we summarized the OIG-issued products that directly or indirectly related to reporting on risks associated with the illegal transfer or theft of sensitive technologies and the extent to which NASA is carrying out its activities in compliance with Federal export control laws.

These products identified systemic issues related to a lack of consistent application of or noncompliance with established policies that could place NASA's export-controlled technologies and data at risk of being stolen or compromised. As stated in the annual assessment report, the OIG is conducting investigations involving the potentially unlawful disclosure of sensitive information covered by the International Traffic in Arms Regulations or the Export Administration Regulations, to include several investigations of computer intrusion into NASA systems. This work includes multi-agency investigations that involve computer hackers in Italy, Portugal, Sweden, Russia, Romania, and China.

In all of these investigations and audits, the OIG continues to work with the Agency's senior leadership to ensure that incidents of stolen or compromised data and technology receive immediate action and that the individuals found responsible are held accountable. We also continue to work closely with NASA management to reduce the risks associated with the illegal transfer of sensitive technologies and to ensure compliance with Federal export control laws.

NASA's Compliance with Federal Export Control Laws and Risks Associated with the Illegal Transfer or Theft of Sensitive Technologies (IG-10-007, February 4, 2010)
<http://oig.nasa.gov/audits/reports/FY10/IG-10-007.pdf>

OIG Recovers NASA Rocket Motors Offered for Sale on the Internet

An OIG investigation led to the recovery of two NASA rocket motors that were listed for sale on an Internet Web site. The investigation found that rocket motors from the Saturn moon landing program (a J-2 and an H-1) were available for purchase over the Internet. Both motors are subject to International Traffic in Arms Regulations and cannot be sold outside of the United States. The investigation also determined that the Federal Government never relinquished title to the motors, which were on loan to a former NASA engineer. When the engineer died, his family listed the motors for sale as part of his estate liquidation. Agents from the Defense Criminal Investigative Service and Immigration and Customs Enforcement participated in the investigation.



OIG Special Agent Wade Krieger, at far right, with the recovered rocket motors.

Former NASA Contractor Indicted

A former NASA contractor was indicted in December 2009 on one count of 18 U.S.C. 1519, "Destruction, alteration, or falsification of records in federal investigations," in the District of Maryland. The indictment resulted from a joint investigation involving the alleged receipt and distribution of child pornography. The investigation was conducted by the OIG's Computer Crimes Division and the U.S. Postal Inspection Service.

Former Contractor Employee Charged

A former NASA contractor employee was charged in November 2009 with felony theft of NASA property. A search warrant of the employee's home recovered tools, equipment, and supplies allegedly stolen from NASA's Kennedy Space Center.

Former Contractor Employee Charged with Theft

A former NASA contractor employee was charged in January 2010 with theft of property from Johnson Space Center. The stolen property included an Omega watch used by astronauts, a Sally Ride NASA flight suit, and various space vehicle parts.

LEGAL ISSUES

Whistleblower Legislation

In January 2010, the OIG resubmitted its request to include language in NASA's proposed Authorization bill that would provide reprisal protection for contractor employees who provide information to the NASA OIG. The proposal would amend 10 U.S.C. 2409.

Standing Review Boards

The OIG commented in March 2010 on proposed legislation that would exempt NASA's non-Federal standing review boards from the Federal Advisory Committee Act (FACA). While we offered no opinion on the exemption request, we expressed concern that NASA's conflict of interest vetting process for potential board members should be more robust than articulated in the NASA proposal.

Specifically, we recommended that NASA insert specific procedures for reviewing conflicts of interest, including publishing the biographies of Board appointees, a procedure followed by the National Academy of Sciences.

Whistleblower Protection

During this reporting period, we issued a report to the NASA Administrator that recommended he take remedial action on behalf of a former contractor employee who was removed from his job allegedly in reprisal for cooperating with an OIG investigation. The matter is under review by the NASA Office of the General Counsel.

Ethics Program

During the reporting period, legal staff provided training to OIG staff on the standards of conduct for executive branch employees. In addition, legal staff reviewed the confidential financial disclosure statements filed by OIG employees to avoid potential conflicts of interest.

CONGRESSIONAL TESTIMONY

NASA's Top Management and Performance Challenges

On February 3, 2010, Inspector General Martin testified before the House of Representatives Committee on Science and Technology's Subcommittee on Space and Aeronautics concerning key issues and challenges facing NASA. The IG discussed the OIG's identification of the Agency's top management and performance challenges, describing observations based on findings and recommendations from recent oversight work on the areas identified in our November 2009 report to the NASA Administrator and Congress (see page 7).

The IG noted that the OIG will continue to examine NASA's efforts to transition from the Space Shuttle to the next generation of space vehicles. Specific areas of focus included NASA's plans for completing the remaining Shuttle flights, disposing of Shuttle Program equipment, and estimating costs for transition and retirement activities.

Inspector General Martin also highlighted a number of ongoing or planned OIG reviews to address additional top challenges facing NASA. These efforts include audits of the James Webb Space Telescope, the Tracking and Data Relay Satellite System, NASA's acquisition strategy for obtaining launch services, the Agency's use of the \$1 billion received under the American Recovery and Reinvestment Act of 2009, and IT security.

Key Issues and Challenges Facing NASA

http://oig.nasa.gov/congressional/NASA_OIG_written_statement_for_Feb3_hearing.pdf

FY 2009 Audit of NASA's Financial Statements

On December 3, 2009, Inspector General Martin testified before the House of Representatives Committee on Science and Technology's Subcommittees on Investigations and Oversight and Space and Aeronautics concerning the FY 2009 audit of NASA's financial statements. During the hearing, the IG discussed NASA's progress in remediating its financial management problems and recommendations to address continuing issues identified by E&Y's financial statement audit (see page 12).

The IG encouraged the Agency to continue its efforts to correct existing weaknesses in financial management during FY 2010 through implementation of E&Y's most recent recommendations and a continued focus on ongoing monitoring and remediation efforts.

Independent Audit of the National Aeronautics and Space Administration

<http://oig.nasa.gov/congressional/Testimony12-1-09.pdf>

REGULATORY REVIEW

During this reporting period, the OIG reviewed and commented on 20 NASA directives and regulations. The following were of particular interest to the OIG.

NASA Space Flight Awareness Awards Program

NASA Procedural Regulations (NPR) 3451 (Draft 2), “NASA Space Flight Awareness Program,” will establish the responsibilities, procedures, and guidelines for administration of the Agency’s space flight awareness (SFA) awards program. The OIG audit report, “Opportunities to Improve the Management of the Space Flight Awareness Honoree Launch Conference Event” (IG-09-017, July 27, 2009), included recommendations that the Associate Administrator for Space Operations determine what expenses are reasonably necessary to achieve the objective of the events and revise the SFA policy to establish criteria for program managers to use in planning these events. The draft NPR addresses the first part of the recommendation, but it does not establish written criteria for selecting locations, establishing agendas, or choosing activities. The Space Operations Mission Directorate had not responded to our comments as of March 31, 2010.

Quality Assurance for NASA’s Medical System

To improve NASA Policy Directive 1850.1, “NASA Medical System Quality Assurance,” and NPR 1850 (Draft 2), “Quality Assurance of NASA Medical Care,” the OIG recommended additional sources of guidance to the Office of the Chief Health and Medical Officer. The Office accepted our recommendations.

OUTREACH ACTIVITIES

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

- NASA OIG legal staff provided training to OIG agents and attorneys throughout the Government on civil and administrative remedies as part of the IG Criminal Investigator Academy's periodic refresher training for OIG employees.
- The Office of Investigations continues to participate in meetings and liaison activities with other law enforcement agencies, Government agencies, and the contractor community that include regional Procurement Fraud Working Group meetings, Inspector General Council meetings, Joint Terrorism Task Force activities, and outreach to the technology industry.
- On October 14, 2009, OA's Director for Financial Management attended the Single Audit Roundtable at KPMG's offices in Washington, D.C. Representatives from the American Institute of Certified Public Accountants, OMB, other Federal OIGs, other Government and not-for-profit entities, and independent public accountants met to discuss current issues and to share ideas and practices involving single audits.
- OA's Director for Financial Management also attended the Acquisition Subgroup meeting of the Federal Accounting Standards Advisory Board (FASAB) Accounting and Auditing Policy Committee on October 28, 2009, to discuss NASA's efforts to estimate the historical cost of general property, plant, and equipment.
- On November 23, 2009, the then-Acting AIGA, the Director for Space and Aeronautics Research, and the then-Acting Director for Mission Support briefed the staff of the House Subcommittee on Space and Aeronautics on the progress and preliminary results of several projects, including ongoing audits of NASA's Launch Services Program, the Constellation Program, and the prioritization and use of facility maintenance funds.
- On December 17, 2010, Assistant Inspector General for Investigations (AIGI) Kevin Winters attended "Enrichment Night" at the FBI Academy in Quantico, Virginia. AIGI Winters provided an overview of the NASA Office of Investigations to a new class of FBI agents in training.
- OA staff participated in FASAB's Accounting and Auditing Policy Committee Acquisition Task Force teleconferences in January and February 2010. The teleconferences included discussions of NASA's efforts to estimate the value of contractor-held property, plant, and equipment.
- On January 7, 2010, OA's Director for Information Technology participated in the Federal Audit Executive Council IT Committee meeting at the Federal Reserve Board's OIG to finalize a draft metrics spreadsheet for the FISMA metrics workgroup.

- On January 12, 2010, OA Mission Support staff participated in the Federal Recovery Accountability and Transparency Board Working Group meeting. Discussions included the quality of Recovery Act data reported by recipients, the collection of Recovery Act complaint information from the various IGs, and training and outreach. Throughout the reporting period, OA leadership attended the monthly Recovery Act Transparency Board Working Group meetings.
- On January 12, 2010, Inspector General Martin and AIGI Winters attended the kick-off meeting of the reinvigorated National Procurement Fraud Task Force. The new Chair of the Task Force, Lanny A. Breuer, Assistant Attorney General for the Criminal Division, shared his vision for the future of the Task Force.
- On January 27 and February 24, 2010, the OA statistician addressed the Interagency Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR) Fraud Working Group at the National Science Foundation OIG. The OA statistician presented a searchable database that enables users to perform key word searches of individual fields in the SBIR/STTR TECHNET database. Each SBIR/STTR Fraud Working Group member was given a copy of the searchable database.

AWARDS

CIGIE Awards Ceremony

The 12th Annual Awards Ceremony of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) was held October 20, 2009, to recognize the work of OIG employees and teams across the Federal Government. NASA OIG staff received several awards at the ceremony.

A NASA OIG team of special agents, forensic investigators, attorneys, a management analyst, and report process managers received a Multiple Disciplines Award of Excellence. The NASA OIG team was recognized for an investigation that resulted in NASA improving its procedures for public dissemination of its scientific information. The team was composed of Special Agents Paul Arnold, Haley Hawkins, Mark Voegelin, Joe Schopper, Matt Kochanski, Mike Sonntag, Bruce Linder, Walter Martin, Paul Danley, Sam Simpkins, and Noah Thompson; Technical Investigators Robert Griesacker, Matt Kucenski, and Tobin Craig; attorneys Elizabeth Richardson and Frank Mazurek; management analyst Bruce Schmidt; and report process managers Janet Overton and Elizabeth Shifflett. Several of the team members are pictured below.



Left to right: Mark Voegelin, Tobin Craig, Matthew Kochanski, Elizabeth Richardson, Joe Schopper, Mike Sonntag, Paul Arnold, Frank Mazurek, Bruce Schmidt, Tom Howard, and Kevin Winters.

Also at the CIGIE Awards Ceremony, NASA OIG Special Agent Andrea Borden received an Investigation Award of Excellence. She was recognized along with agents from the National Science Foundation, Defense Criminal Investigative Service, Health and Human Services OIG, and Army CID; auditors from the Department of Justice and Health and Human Services OIG; and Assistant U.S. Attorneys for outstanding investigative work that resulted in an \$8.4 million civil settlement and improved handling of Federal grant awards.

NASA OIG staff were also recognized for three additional awards at the ceremony. The Information Technology Services Directorate was recognized for outstanding delivery of high-quality, innovative, and cost-effective information technology solutions in support of the NASA OIG and the CIGIE community.

CIGIE also recognized the efforts of the team that audited the life-cycle review process of NASA's Orion Crew Exploration Vehicle. The team, which produced the report, "More Stringent Entrance Criteria Needed for Project Life-Cycle Reviews" (IG-09-004, October 31, 2008), consisted of the following OA personnel: Loretta Atkinson, Project Manager; Eugene Bauer, Auditor; Jim Griggs, Team Lead; Frank Martin, Aerospace Technologist; Barbara Moody, Auditor; Douglas Orton, Team Lead; Janet Overton, Report Process Manager; Cindy Stein, Aerospace Technologist; and Ray Tolomeo, Acting Director, Space Operations.

Special Agent Sean Zadig, Goddard Space Flight Center, received an Investigation Award of Excellence for his outstanding achievements in an investigation that resulted in the successful identification, arrest, and prosecution of a Nigerian citizen whose Internet-based criminal activities caused a total of more than \$750,000 in known losses.

Recipients of the three awards are pictured below.



Left to right: Rickey Eaton, Cindy Stein, Terence Puls, Lawrence Anderson, Steven Clevenger, Loretta Atkinson, Tom Howard, Richard Hoska, Sean Zadig, Ray Tolomeo, and Kevin Winters.

OIG Employees and NASA Contracting Officer Recognized

On February 10, 2010, the U.S. Attorney for the Southern District of Texas recognized the exemplary work of OIG Special Agents Ed Gumban and Michael Mataya and NASA contracting officer Carrie Mulholland in the case of the United States versus Jameel Hattab and Larry Shelmire. After an extensive OIG investigation that resulted in 12 search warrants being executed, former NASA employees Hattab and Shelmire were convicted of violating conflict of interest laws for their roles in a scheme to steer NASA contracts to a roofing company with which they had financial interests. Mulholland was recognized for supporting the investigation by reviewing work that the roofing company completed at Johnson Space Center.



Left to right: Assistant U.S. Attorney James McAlister, Carrie Mulholland, Michael Mataya, Ed Gumban, and U.S. Attorney Tim Johnson.

Appendixes

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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	24
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	10-21
Section 5(a)(2)	Recommendations for Corrective Actions	10-21
Section 5(a)(3)	Prior Significant Audit Recommendations Yet to Be Implemented	36-37
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	39
Sections 5(a)(5) and 6(b)(2)	Summary of Refusals To Provide Information	None
Section 5(a)(6)	OIG Audit Products Issued—Includes Total Dollar Values of Questioned Costs, Unsupported Costs, and Recommendations that Funds Be Put to Better Use	34-35
Section 5(a)(7)	Summary of Significant Audits and Investigations	10-21
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 5(b) of the Federal Financial Management Improvement Act of 1996 Remediation Plan	12

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 to the Agency as well as 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, 2009, the receivables due from the public totaled \$1,834,778, none of which is delinquent. The amount written off as uncollectible for the period October 1, 2008, through September 30, 2009, was \$155,305.

Appendix B. Statistical Information

During the period October 1, 2009, through March 31, 2010, the Office of Audits issued 15 products.

Table 1: Audit Products and Impact

REPORT NO./ DATE ISSUED	TITLE	IMPACT
Audit Area: Space Operations and Exploration (Transition)		
IG-10-011 3/29/10	Review of the Constellation Program's Request to Discontinue Using the Metric System of Measurement	Long- and short-term costs and benefits will be evaluated prior to granting exceptions to policy, and NASA will engage other Federal agencies to further metric system implementation.
IG-10-012 3/25/10	Review of NASA's Progress on Retiring the Space Shuttle Program	NASA to finalize plans for managing \$460 million in Shuttle transition and recovery activities, although completion of the flight manifest by end of FY 2010 is unlikely.
Audit Area: Financial Management		
IG-10-002 11/13/09	Audit of the National Aeronautics and Space Administration's Fiscal Year 2009 Financial Statements	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-10-003 11/10/09	Ernst & Young LLP Final Report, "Information Technology Management Letter Comments"	Improvements in the effectiveness of the information technology control environment.
IG-10-004 11/16/09	Audit of the National Aeronautics and Space Administration's Fiscal Year 2009 Special-Purpose Financial Statements	Improvements in NASA's ability to provide auditable special-purpose financial statements and sufficient evidence to support the financial statements throughout the fiscal year and at year end.
IG-10-009 3/23/10	Analysis of Fiscal Year 2009 NASA-Sponsored Conferences	Improvements in NASA's implementation of Federal guidelines and NASA policies and requirements for planning conferences.
Audit Area: Information Technology		
IG-10-001 11/10/09	Federal Information Security Management Act: Fiscal Year 2009 Report from the Office of Inspector General	Improvements in internal controls for IT security through the establishment of management programs and processes.
Audit Area: Acquisition and Contracting		
IG-10-005 11/13/09	Analysis of NASA's Final Program-Specific Recovery Act Plans	NASA's Program Plans complied with OMB's Recovery Act Implementation Guidance.
IG-10-006 11/13/09	Analysis of NASA's Final Agency-Wide Recovery Act Plan	Minor issues noted with NASA's Agency-Wide Recovery Act Plan did not affect NASA's overall compliance with OMB's Recovery Act Implementation Guidance.

Table 1: Audit Products and Impact (continued)

REPORT NO./ DATE ISSUED	TITLE	IMPACT
Audit Area: Other		
IG-10-007 2/4/10	NASA's Compliance with Federal Export Control Laws and Risks Associated with the Illegal Transfer or Theft of Sensitive Technologies	Annual assessment reports NASA's efforts to improve controls over sensitive technologies.
Audit Area: Quality Control Review		
IG-10-008 3/17/10	Quality Control Review of the UHY LLP Office of Management and Budget Circular A-133 Audits of the Universities Space Research Association for the Fiscal Year Ended September 30, 2008	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133 requirements.
Audit Area: Initial Review		
ML-10-001 12/7/09	Initial Review of Argy, Wiltse & Robinson, P.C. Audit Report on National Institute of Aerospace Associates for the Fiscal Year Ended September 30, 2008	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133 requirements.
ML-10-002 12/7/09	Initial Review of KPMG LLP Audit Report on California Association for Research in Astronomy DBA W.M. Keck Observatory for the Fiscal Year Ended September 30, 2008	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133 requirements.
ML-10-003 1/22/10	Initial Review of Grant Thornton LLP Audit Report on UNCF Special Programs Corporation for the Fiscal Year Ended December 31, 2008	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133 requirements.
ML-10-005 3/29/10	Initial Review of Deloitte & Touche LLP's Audit Report on San José State University Research Foundation for the Fiscal Year Ended June 30, 2009	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133 requirements.

During this reporting period, October 1, 2009 through March 31, 2010, the OA closed two reviews that were initiated in response to allegations after determining that they were unsubstantiated and did not warrant detailed audit or review.

Table 2: Allegations Unsubstantiated

DATE CLOSED	ALLEGATION	CONCLUSION
11/18/09	Failure of the NASA Office of the Chief Information Officer to comply with Federal and Agency requirements.	No evidence to substantiate the complainant's allegation.
3/4/10	NASA's award of a contract to install upgraded engines manufactured by Pratt & Whitney was improper because Pratt & Whitney had not issued the awardee a license to install the requested items.	No evidence to substantiate the complainant's allegation.

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: Information Technology					
IG-09-015 4/27/09	NASA's Processes for Providing Personal Identity Verification (PIV) Cards Were Not Completely Effective in Meeting Federal Requirements	4/27/2009	3	3	4/20/2010
IG-09-015-a 6/4/09	Addendum				
Audit Area: Acquisition and Contracting					
IG-09-022-R 9/25/09	NASA Should Reconsider the Award Evaluation Process and Contract Type for the Operations of the Jet Propulsion Laboratory (Redacted)	9/25/2009	7	1	12/31/2012
IG-09-018 7/14/09	Improvements Needed in NASA's Oversight and Monitoring of Small Business Contractor Transfers of Export-Controlled Technologies	7/14/2009	4	0	7/31/2010
IG-09-017 7/27/09	Opportunities to Improve the Management of the Space Flight Awareness Honoree Launch Conference Event	7/27/2009	1	0	5/28/2010
Audit Area: Other					
IG-09-021 9/2/09	The Landsat Program Is Not Meeting the Goals and Intent of the Land Remote Sensing Policy Act of 1992	9/2/2009	1	4	8/31/2010

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: Financial Management					
IG-08-005 12/11/07	NASA's Accounting for Capitalized Real Property Designated as Inactive	12/11/2007	4	0	6/30/2010
IG-08-004 12/11/07	NASA's Accounting for Real Property Leased to Other Entities	12/11/2007	4	0	6/30/2010
Audit Area: Information Technology					
IG-07-014 6/19/07	Controls over the Detection, Response, and Reporting of Network Security Incidents Needed Improvement at Four NASA Centers Reviewed	6/19/2007	4	4	9/30/2010
IG-06-007 3/17/06	NASA's Implementation of Patch Management Software Is Incomplete	3/17/2006	1	1	9/30/2010
IG-05-016 5/12/05	NASA's Information Technology Vulnerability Assessment Program	5/12/2005	1	3	9/30/2010
Audit Area: Acquisition and Contracting					
IG-09-013 3/27/09	Final Memorandum on Audit of the Stratospheric Observatory for Infrared Astronomy (SOFIA) Program Management Effectiveness	5/7/2009	2	4	6/30/2010
IG-09-012 3/19/09	Evaluation and Oversight of NASA's University-Affiliated Spaceport Technology Development Contract Needed Improvement	3/19/2009	1	5	10/1/2010
IG-07-029 9/18/07	Audit of NASA Education and Training Grants	9/18/2007	1	4	10/31/2010
Audit Area: Safety (Managing Risk)					
IG-08-025 9/19/08	[A NASA] Center's Security Program Needed Improvement	9/19/2008	4	4	7/1/2011
Audit Area: Other					
IG-09-003 11/13/08	Final Memorandum on the Review of NASA Stolen Property at Goddard Space Flight Center and Marshall Space Flight Center	11/13/2008	1	4	6/1/2010
IG-04-025 9/7/04	NASA's Implementation of the Mission Critical Space System Personnel Reliability Program	9/7/2004	1	6	5/1/2010

Table 4: Status of A-133* Findings and Questioned Costs Related to NASA Awards

Total audits reviewed	194	
Audits with recommendations	11	
Recommendations with questioned costs		
	NUMBER OF RECOMMENDATIONS	COSTS FOR REVIEW
Beginning balance	151	\$14,168,252
Recommendations added during the reporting period	24	\$778,957
Recommendations dispositioned (costs disallowed/questioned costs recovered/sustained)	(15)	(\$44,454)
Ending balance	160	\$14,902,755

* 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

Freedom of Information Act (FOIA) matters	15
Appeals	0
Inspector General subpoenas issued	47
Regulations reviewed, including two withdrawn	20

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	52	8	7	9	76
All others	48	6	5	68	127
Total	100	14	12	77	203

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 include noncriminal matters initiated by OI as well as hotline complaints referred to OA.

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

⁴ Preliminary investigations are complaints where 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	15
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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.

Table 6: Investigations Activities (continued)**c. Cases Pending at End of Reporting Period**

Preliminary investigations	93
Full criminal/civil investigations	121
Administrative investigations	26
Total	240

d. Qui Tam¹ Investigations

Opened this reporting period	0
Pending at end of reporting period ²	15

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

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

e. Judicial Actions

Cases referred for prosecution	37
Indictments/criminal informations	18
Convictions/plea bargains	11
Sentencing/pre-trial diversions	16
Civil settlements/judgments	1

f. Administrative Actions

Recommendations to NASA management for disciplinary action		15
Involving a NASA employee	8	
Involving a contractor firm	1	
Involving a contract employee	6	
Administrative/disciplinary actions taken		8
Against a NASA employee	4	
Against a contractor firm	0	
Against a contract employee	4	
Recommendations to NASA management on program improvements		13
Matters of procedure	12	
Safety issues or concerns	1	
Referrals to NASA management—information only		19
Referrals to Security or other agencies		8
Suspensions or debarments from Government contracting		4
Involving individuals	3	
Involving a contractor firm	1	

g. Investigative Receivables and Recoveries

Judicial	\$4,239,166	
Administrative	\$276,701	
Total	\$4,515,867	
Total to NASA		\$280,967

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 174 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., DCMA and NASA). The cognizant agency responsible for administering the contract negotiates recoveries with the contractor after deciding whether to accept or reject the questioned costs and recommendations for funds to be put to better use. The following table shows the amounts of questioned costs and funds to be put to better use included in DCAA reports issued during this semiannual reporting period and the amounts that were 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^{1,2}

	AMOUNTS IN ISSUED REPORTS	AMOUNTS AGREED TO
Questioned costs	\$2,700,000	\$982,000
Funds be put to better use	\$287,503,000	\$1,529,000

¹ This 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.

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

Appendix C. Glossary and Acronyms

Glossary

Administrative Investigation. An administrative investigation is an inquiry into allegations of misconduct, wrongdoing, or administrative matters, the results of which could lead to disciplinary action.

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

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.

Judicial Actions. 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).

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 of 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.

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.

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) 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 noted in pre-award 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.)

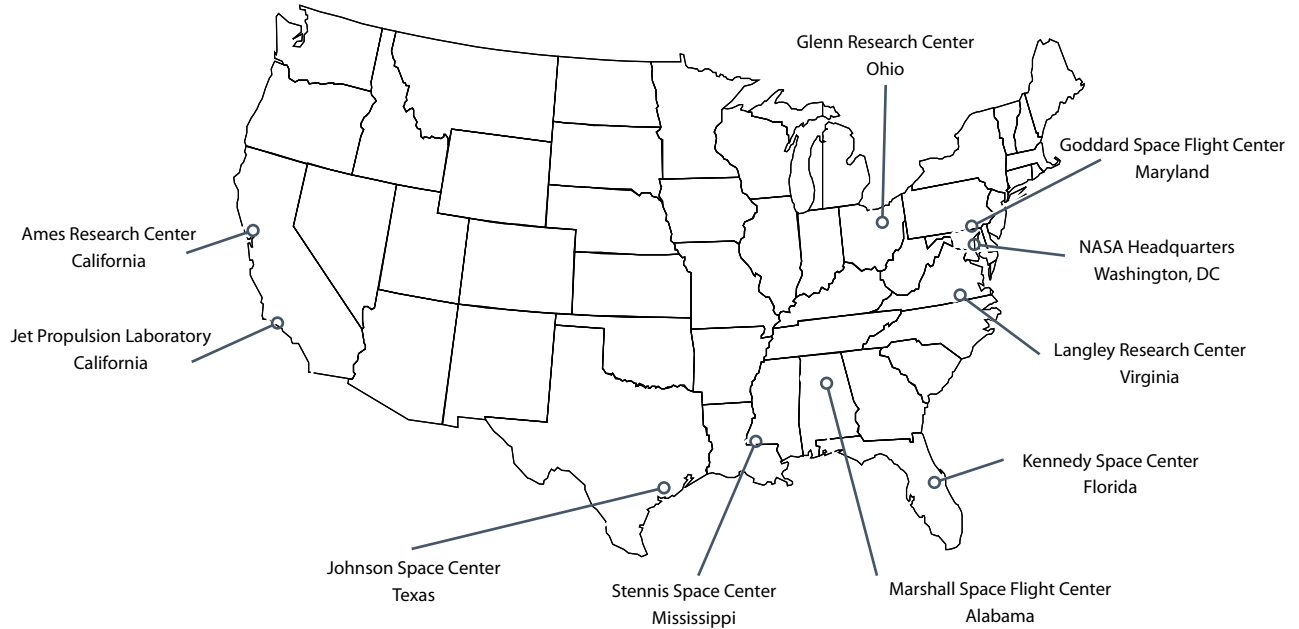
Qui Tam. Latin for “who as well.” A lawsuit brought by a whistleblower on behalf of the Government under the civil False Claims Act, where a share of recoveries can be awarded to the whistleblower.

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

AIGI	Assistant Inspector General for Investigations
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CMP	Continuous Monitoring Program
DCAA	Defense Contract Audit Agency
DOD	Department of Defense
DOJ	Department of Justice
E&Y	Ernst & Young LLP
FACA	Federal Advisory Committee Act
FASAB	Federal Accounting Standards Advisory Board
FBI	Federal Bureau of Investigation
FISMA	Federal Information Security Management Act
FOIA	Freedom of Information Act
FY	Fiscal Year
GAO	Government Accountability Office
IG	Inspector General
IT	Information Technology
NASA	National Aeronautics and Space Administration
NPR	NASA Procedural Requirements
OA	Office of Audits
OI	Office of Investigations
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMP	Office of Management and Planning
PIV	Personal Identity Verification
SBIR	Small Business Innovation Research
SFA	Space Flight Awareness
SOC	Security Operations Center
SOFIA	Stratospheric Observatory for Infrared Astronomy
STTR	Small Business Technology Transfer
T&R	Transition and Retirement
TSA	Transportation Security Administration

Appendix D. NASA OIG Offices of Audits and Investigations



NASA OIG Headquarters

300 E St., SW, Suite 8V39
Washington, DC 20546-0001
Tel: 202-358-1220

Ames Research Center

NASA Office of Inspector General
Ames Research Center
Moffett Field, CA 94035-1000
Tel: 650-604-2679 Audits
Tel: 650-604-3682 Investigations

Glenn Research Center

NASA Office of Inspector General
Mail Stop 14-9
Glenn Research Center
at Lewis Field
Cleveland, OH 44135-3191
Tel: 216-433-5413 Audits
Tel: 216-433-2364 Investigations

Goddard Space Flight Center

NASA Office of Inspector General
Code 190
Goddard Space Flight Center
Greenbelt, MD 20771-0001
Tel: 301-286-6443 Audits
Tel: 301-286-9316 Investigations

NASA Office of Inspector General
Office of Investigations
402 East State Street
Room 3036
Trenton, NJ 08608
Tel: 609-656-2543

Jet Propulsion Laboratory

NASA Office of Inspector General
Jet Propulsion Laboratory
4800 Oak Grove Drive
Pasadena, CA 91109-8099

Office of Audits
Mail Stop 180-202
Tel: 818-354-9743

Office of Investigations
Mail Stop 180-203
Tel: 818-354-6630

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

Johnson Space Center

NASA Office of Inspector General
Lyndon B. Johnson Space Center
2101 NASA Parkway
Houston, TX 77058-3696

Office of Audits
Mail Stop W-JS
Building 1, Room 161
Tel: 281-483-0483

Office of Investigations
Mail Stop W-JS2
Building 45, Room 514
Tel: 281-483-8427

Kennedy Space Center

NASA Office of Inspector General
Mail Stop KSC/OIG
Post Office Box 21066
Kennedy Space Center, FL
32815-0001
Tel: 321-867-4073 Audits
Tel: 321-867-4714 Investigations

Langley Research Center

NASA Office of Inspector General
Langley Research Center
Hampton, VA 23681-2199

Office of Audits
Mail Stop 292
Tel: 757-864-8562

Office of Investigations
Mail Stop 205
Tel: 757-864-3263

Marshall Space Flight Center

NASA Office of Inspector General
Mail Stop M-DI
Marshall Space Flight Center, AL
35812-0001

Tel: 256-544-1149 Audits
Tel: 256-544-9188 Investigations

Stennis Space Center

NASA Office of Inspector General
Office of Investigations
Building 3101, Room 119
Stennis Space Center, MS 39529
Tel: 228-688-1493

Web Site Address:
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1-800-424-9183 or
TDD: 1-800-535-8134



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WRITE: NASA Office of Inspector General
P.O. BOX 23089, L'Enfant Plaza Station
Washington, DC 20026

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