

OFFICE OF INSPECTOR GENERAL

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Robert W. Cobb
Inspector General

FROM THE INSPECTOR GENERAL

NASA is transitioning to a new organizational paradigm. The Agency is changing the roles and responsibilities of its Center Directors and shifting engineering responsibilities for executing the new space exploration vision from NASA Headquarters to the Centers. NASA is also undertaking the challenge of planning for the retirement of the Space Shuttle while planning for a new generation of space vehicles to carry out the exploration vision. The context in which NASA is pursuing the space exploration vision is one of budget restraint. The number of worthy programs and projects always exceeds available funding, so NASA must make difficult choices, such as deciding what projects to initiate, sustain, or terminate and how to structure the workforce to achieve mission success. The tightening of budgets in the past has resulted in additional program risk – the Agency will need to be vigilant to ensure that safety and mission assurance activities are not compromised.

The Office of Inspector General (OIG) is continually assessing where to direct its limited resources to best combat fraud, waste, and abuse and promote the economy and efficiency of the Agency. In the last 6 months of Fiscal Year 2005, the OIG Office of Audits issued a number of deliverables on a range of topics from returning the Space Shuttle to flight to NASA's implementation of the Integrated Financial Management Program (now known as the Integrated Enterprise Management Program). During this same period, OIG investigations led to a number of criminal and civil actions, including convictions, indictments, and civil settlements.

Currently, OIG leadership is meeting individually with Agency officials to discuss audits that are planned to start during Fiscal Year 2006. A number of these audits will address NASA acquisition processes in the context of important Agency activities, such as its response to Hurricane Katrina damage and the development of the Crew Exploration Vehicle.

NASA's Financial Management

The OIG, Ernst & Young LLP – the independent public accountant conducting the financial statement audit for the OIG under the Chief Financial Officers Act – and the Government Accountability Office (GAO)

continue to find serious flaws in the Agency's financial management system. NASA does not have a financial management system that is fully integrated and in compliance with the Federal Financial Management Improvement Act. As a result, the Agency has been unable to produce auditable financial statements, and the independent public accountant has been unable to render an opinion on those statements. The lack of an integrated financial system for effectively managing contracts is the primary reason the GAO has identified contract management at NASA as a high-risk area since 1990.

For the past 3 1/2 years, NASA senior management has implored the OIG to work with the Office of the Chief Financial Officer so the Agency could correct its material weaknesses. The OIG has not hesitated to provide our views and recommendations to the Chief Financial Officer, the Administrator, and Congress. Indeed, our office, the independent public accountants, and GAO have made numerous recommendations to address all aspects of NASA's financial management weaknesses. In particular, the OIG and the independent public accountants have recommended that NASA develop a corrective action plan that articulates how the Agency will address its repeated material weaknesses including internal controls over property and its fund balance with the Treasury. While the Agency has attempted on a number of occasions to develop such a plan, it has been unable to establish a plan that articulates a strategy for correcting its weaknesses. While we will continue to work with the Agency in addressing its financial management problems, it must be noted that the problems cannot be solved by the OIG, independent public accountants, GAO or Congress. They must be solved by NASA itself.

The new NASA Administrator has clearly articulated that the state of affairs in financial management is unacceptable and must be greatly improved. Under his leadership there have been some positive steps to include adding needed senior personnel in the Office of the Chief Financial Officer and obtaining external feedback from top executive branch leaders in financial management. However, the Agency now needs a comprehensive corrective action plan developed collectively by NASA's leadership, including program management, institutional offices, and Centers, and the Office of the Chief Financial Officer. There will be no quick fix as the plan will have to comply with Governmentwide accounting rules, advance sound business practices, and require the reengineering of historical business practices across the Agency. The plan will need to be endorsed and supported by the Administrator.

NASA Victimized by Criminal Frauds

The importance of having a fully operating integrated financial management system with strong internal controls is illustrated in part by the fact that NASA has been victimized by numerous cases of criminal frauds and other acts. The following investigative cases from this semiannual period reflect weaknesses in NASA's internal control systems:

- A NASA civil servant was convicted of manipulating the procurement process to steer contracts to a company he owned.
- A NASA civil servant was indicted and pled guilty to awarding fraudulent purchase orders totaling over \$194,000 to a personal acquaintance for services that were never rendered.

- A now deceased employee of a NASA contractor created fictitious companies and diverted contract funds to the fictitious companies. The NASA contractor has entered into a civil settlement of \$1.27 million.
- A NASA subcontractor agreed to reimburse NASA \$208,000 for possible mischarging by an employee, who resigned from his position.
- A former director of a private space museum was indicted for, among other things, allegedly selling artifacts on loan to the museum from NASA.
- A contractor agreed to pay NASA \$375,000 for failing to provide adequate oversight of its subcontractor after the subcontractor charged NASA for additional costs it incurred by using incorrect materials.

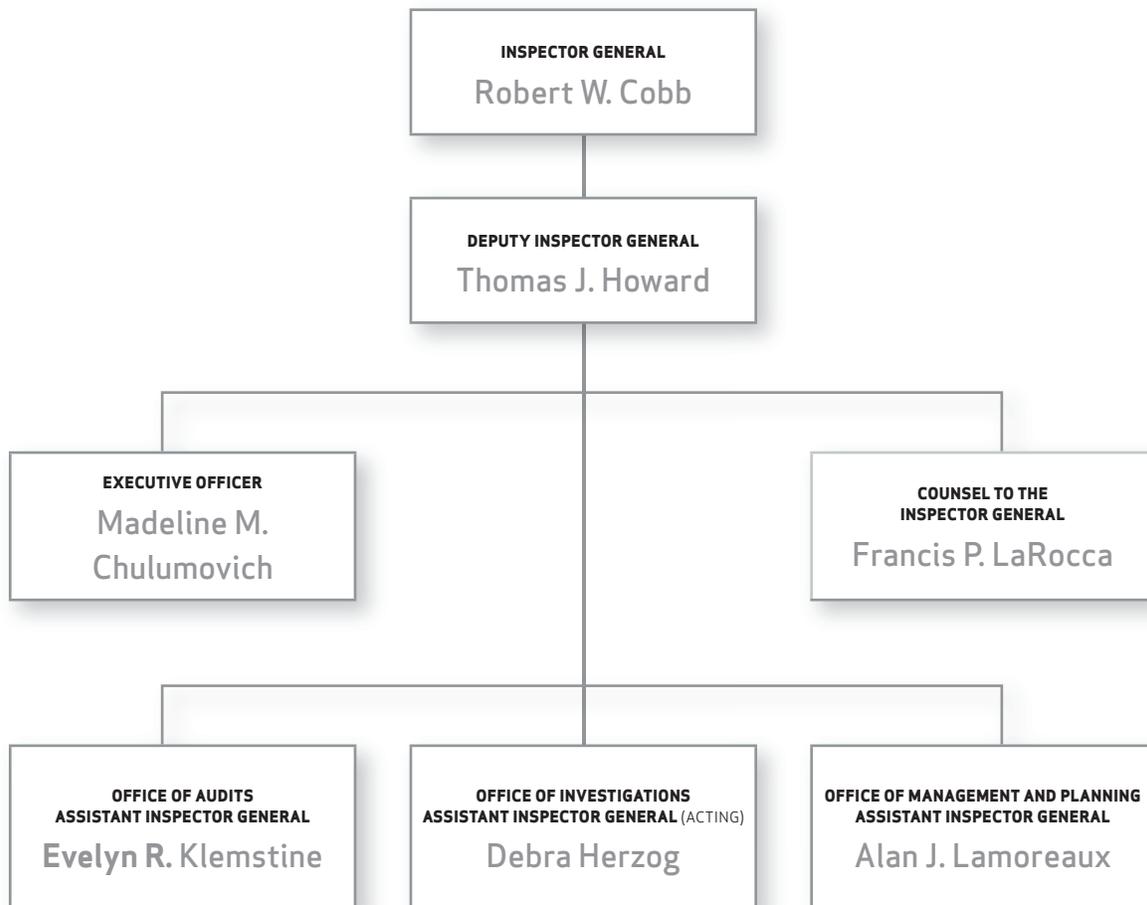
While it is sometimes difficult to draw a direct link between these improper acts and specific systemic weaknesses in NASA's internal controls, it is easy to presume that those who would defraud the Government are emboldened by an environment where weak internal controls persist.

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



Robert W. Cobb
Inspector General

ORGANIZATION



THE NASA OFFICE OF INSPECTOR GENERAL conducts audits, reviews, and investigations to prevent and detect waste, fraud, abuse, and mismanagement and to assist NASA management in promoting economy, efficiency, and effectiveness. The OIG's Fiscal Year (FY) 2005 budget of \$31.6 million supported 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 legal staff 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 legal 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 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, the OA oversees the work of the independent public accountant in its audit of NASA's financial statements.

THE OFFICE OF INVESTIGATIONS (OI) investigates allegations of crime, cyber-crime, fraud, waste, abuse, and misconduct having impact on NASA programs, projects, operations, and resources. OI refers its findings either to the Department of Justice for prosecution or to NASA management for action. Through its investigations, OI identifies crime indicators and recommends effective 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. 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. OMP provides state-of-the-art IT system capabilities for the OIG and coordinates preparation of the strategic plan and the Semiannual Report to Congress.

SIGNIFICANT AUDITS AND INVESTIGATIONS

Information Technology Security

NASA's IT security leadership is addressing many of the IT security concerns we raised in past audits and assessments. We noted improvements in upgrading and standardizing NASA's IT security architecture. NASA also initiated several projects designed to better align its IT infrastructure to support centralized management and improve the IT security posture. During this period, we issued five reports designed to improve Agency IT security. Although those reports are highlighted here, not all IT reports are publicly available because of the sensitivity surrounding IT security vulnerabilities.

Annual OIG Federal Information Security Management Act (FISMA) Report

We submitted to the Administrator our annual FISMA report, *Federal Information Security Management Act: Fiscal Year 2005 Report from the Office of Inspector General* (IG-05-026, September 29, 2005), which provides the Office of Management and Budget with our independent assessment of NASA's IT security posture. While NASA's leadership implemented several IT security improvements and was formulating plans to address many of the IT security concerns we have raised in past audits and reviews, many challenges remain. During FY 2005, we found recurring significant internal control weaknesses related to system administrator roles and responsibilities; host and network security; IT contingency plan testing and alternate processing facilities; IT risk assessments; certification of IT systems; vulnerability scanning; and peer-to-peer file sharing. The NASA OIG will continue to focus audit and investigative resources on protecting the Agency's information assets.

Effectiveness of NASA's IT Vulnerability Assessment Program Compromised by Centers' Noncompliance

NASA's program to assess IT vulnerability is an integral component of the Agency's overall IT security program. Our review of *NASA's Information Technology Vulnerability Assessment Program* (IG-05-016, May 12, 2005) was conducted to determine whether NASA had established an effective program to reduce unacceptable vulnerabilities in NASA's IT systems. We found that the NASA Chief Information Officer (CIO) had established an ongoing process to assess the most current vulnerability assessment tools available and used tools that were most effective in the NASA environment. In addition, the CIO established formal requirements and guidance for scanning, accumulating, analyzing, and addressing identified vulnerabilities and for reporting FY 2004 vulnerability data. However, our work at four NASA Centers found that the Centers did not comply with the Vulnerability Assessment Program. Specifically, two Centers had not fully implemented the program's requirements for scanning systems and none of the Centers had fully complied with the reporting requirements established by the NASA CIO. Management either took or was planning to take corrective actions in response to our recommendations.

Use of Peer-to-Peer File Sharing at [a NASA Center]

We performed an audit of *Peer-to-Peer (P2P) File Sharing at [a NASA Center]* (IG-05-021, June 9, 2005) to determine whether NASA had established adequate Agencywide policies governing P2P file sharing and whether the NASA Center had appropriately implemented those policies to control the use of P2P file sharing. While NASA had a general policy prohibiting the use of IT resources to download, copy, or distribute copyrighted and other materials, NASA had not established a policy that explicitly governed the use of P2P file sharing. At the Center we reviewed, we found that technical controls over P2P file sharing did not adequately protect NASA systems from risks that could expose NASA to increased system vulnerabilities and disclosure of sensitive information. NASA management concurred with the recommendations and planned responsive corrective actions.

NASA's Performance Measure Data Under the Federal Information Security Management Act

Our review, *NASA's Performance Measure Data Under the Federal Information Security Management Act* (IG-05-025, September 16, 2005), noted several significant internal control weaknesses associated with the certification of IT systems, IT risk assessments, IT system security control testing and evaluation, and IT contingency plan testing. Specifically, the NASA certification process did not ensure that security controls on IT systems were tested, evaluated, and certified by an independent party. NASA's IT risk assessment policies and procedures were inconsistently implemented from Center to Center and NASA's annual security control testing and evaluation of IT systems were not conducted in accordance with Federal requirements. Also, we identified IT system contingency plans that were not tested in accordance with Federal guidance. NASA concurred with our recommendations and either took or was planning to take appropriate corrective actions.

IT Security Controls on a NASA Administrative Computer System and Network Need Improvement

Our review, *Information Technology Security Controls on NASA's Administrative Systems and Networks in [NASA Installations]* (IG-05-027, September 30, 2005), found that controls over NASA facilities and on administrative computer systems and networks at the NASA installations we evaluated were not sufficient to ensure the IT security of administrative data and resources. NASA is taking appropriate actions to address our recommendations.

Internet Security Chief Sentenced for Hacking Government Computers

As the result of a joint investigation conducted by the NASA OIG, the Federal Bureau of Investigation (FBI), and the Army Criminal Investigations Division, the president of a San Diego-based computer security firm was sentenced for his role in compromising a large number of Government and private computer systems. He was sentenced to 60 days in a work-release program, placed on probation for 2 years, ordered to perform 100 hours of community service, and ordered to refrain from doing any work involving computer security while on probation. He pled guilty to one count of violating Title 18 United States Code, Section 1030 (Fraud and Related Activity in Connection with Computers). Two other former employees of the company also entered guilty pleas in this case. Sentencing for the two is pending.

Two Individuals Sentenced for Child Pornography

- A previous investigation of a former NASA employee for using NASA computers and networking facilities to traffic in child pornography also identified a non-NASA employee as a participant in the activity. As a result, we conducted a joint investigation with the FBI of that individual, who subsequently pled guilty to one count of production of child pornography. The individual was sentenced to 72 months in Federal prison, 36 months of supervised release, and must register as a sex offender.
- A former NASA employee was sentenced to 21 months in Federal prison and 36 months of supervised release for 1 count of possession of child pornography. A NASA OIG investigation revealed that the former employee used his workstation to download and view child pornography.

Hacker Sentenced

A computer hacker was sentenced to 4 months in Federal prison to be followed by 3 years' supervised release and was ordered to pay restitution in the amount of \$71,181. The individual pled guilty to hacking the computer systems of various Federal agencies, including the Defense Logistics Information Service, the Department of Defense (DOD) Health Affairs Office in San Antonio, Texas, and the NASA Ames Research Center. Restitution to NASA is \$2,376.

Procurement

NASA expends most of its budget through contracts and other procurement vehicles. Effective and efficient procurement practices are critical to NASA's success in achieving its overall mission. Through audits and investigations, the NASA OIG seeks to assist the Agency in improving its procurement practices, as well as to detect and prevent procurement fraud.

Use of Sole-Source Contract Actions Citing “Only One Responsible Source”

This report is available on the Web at:

<http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY05/ig-05-017.pdf>

We conducted an audit, *Sole-Source Contract Actions Citing “Only One Responsible Source”* (IG-05-017, May 13, 2005), to determine whether NASA effectively applied and managed sole-source contract awards. At the four NASA Centers we reviewed, we found that Agency procurement officials were diligent in promoting competition to the extent practicable and adhered to Federal and Agency procurement regulations in justifying contract actions when competition for the contract was not possible. However, we found that some synopses for the acquisition of commercial items gave unreasonably short response times for vendors to reply to the synopsis notices or challenge the proposed sole-source procurements. We also found that many of the justifications we reviewed did not place sufficient emphasis on actions taken to remove or overcome barriers to future competition, as Federal and Agency procurement regulations require. The Agency concurred with our recommendations for establishing reasonable response times in commercial procurement synopses and increasing the emphasis on removing barriers to competition. Management was planning corrective actions.

Use of Sole-Source Purchase Orders Under Simplified Acquisition Procedures

This report is available on the Web at:

<http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY05/ig-05-022.pdf>

The OIG conducted an audit to determine whether NASA effectively managed awards of *Sole-Source Purchase Orders Under Simplified Acquisition Procedures* (IG-05-022, July 6, 2005). Under a Governmentwide pilot program, contracting officers may use simplified procedures for purchasing commercial items costing in excess of \$100,000 but not more than \$5 million. At the Centers we reviewed, we found that the management of sole-source purchase orders under simplified acquisition procedures was generally effective. However, of the 141 actions that we reviewed, 16 actions (11 percent) were not synopsized as the Federal Acquisition Regulation (FAR) requires. We also found that one Center had not followed FAR requirements when preparing written justifications for several sole-source purchase orders awarded under the simplified acquisition pilot program. Of the 27 actions reviewed at that Center, 12 were awarded under the pilot program. Of those

12, 8 (67 percent) did not have sufficient justifications. We recommended that the Centers adopt a more rigorous award review and approval process (elevating review to a position higher than that of contracting officer) that would ensure all proposed sole-source acquisitions using simplified acquisition procedures are properly synopsisized as FAR requires. We also recommended that Center management ensure that sole-source purchase order actions under the pilot program are justified in writing, as both FAR and the NASA FAR Supplement require. Management concurred or partially concurred with each of the report's recommendations and took responsive corrective actions.

NASA's Proposed Acquisition for Internet Bandwidth

We conducted a *Review of NASA's Proposed Acquisition for Internet Bandwidth* (April 29, 2005), which NASA proposed to accommodate an anticipated increase in Internet viewers for NASA's return-to-flight (RTF) missions (STS-114 and STS-121). NASA was soliciting a "quid pro quo" arrangement under the authority of the Space Act, in which it would select an offeror (that is, a sponsor) and grant the sponsor logo posting rights on NASA's RTF Web site. In exchange, the sponsor would be obligated to make payments on NASA's behalf to the existing NASA bandwidth contractor to provide increased bandwidth for the Agency. We found that the structure of the proposed arrangement requiring an exchange of funds from the selected sponsor to the existing contractor is not authorized by the Space Act or NASA's Space Act Agreement Policy Directive. We determined that NASA could properly exchange in-kind contributions (that is, bandwidth in exchange for posting a sponsor's logo on NASA's RTF Web site) but could not exchange the posting of a company's logo for funding (including funding paid to a NASA contractor on the Agency's behalf) without violating fiscal law. NASA agreed with our findings and recommendation and took corrective action by reissuing a revised solicitation clarifying that it would only consider a direct exchange of in-kind contributions involving no exchange of funds.

Review for Conflict of Interests of Evaluation Panel Members from the Jet Propulsion Laboratory (JPL)

We conducted a review of several NASA research and development procurements pertaining to the Lunar Robotic Orbiter (LRO) and Mars-related science efforts. The review was in response to an inquiry that questioned the potential for conflicts of interest with JPL personnel serving on evaluation panels for NASA procurements. JPL is a NASA-funded research and development center operated by the California Institute of Technology [Caltech]. We reviewed relevant completed and ongoing procurement actions for FYs 2004 and 2005 (through May) involving JPL-Caltech panel members. We found that all required conflict of interest safeguards were adhered to and there was no indication of organizational or personal conflicts of interest for those procurements. However, we did identify some process weaknesses relating to overall management of JPL conflict of interest issues. We communicated our findings to NASA management and they were responsive to the issues we identified.

Lunar Robotic Orbiter Measurement Investigations Procurement

We conducted a *Review of Lunar Robotic Orbiter (LRO) Measurement Investigations Procurement* in response to allegations of bias on the part of NASA's evaluation panel. Specifically, the complaint alleged that NASA evaluators were unduly biased against a certain offeror's proposals that advocated Synthetic Aperture Radar technology. We reviewed the evaluation process NASA used to select the contractor for LRO Measurement Investigations instruments to determine whether (1) there was a sufficient balance of scientific and technical expertise among evaluators and (2) the source selection process was conducted without bias. There appeared to be a reasonable balance of scientific and technical experts on the evaluation panels to mitigate the potential for favoring or disfavoring one proposed scientific methodology or technical solution over another.

NASA Contractor Reaches Settlement Agreement

A civil settlement was reached with a NASA contractor for \$1.275 million after an investigation revealed that an employee of the contractor had submitted false claims for payment that the contractor subsequently billed to NASA. The employee, now deceased, developed a scheme whereby he issued procurement requests and close out orders for non-existent services to three fictitious companies. Consequently, the contractor made payments to those fictitious companies.

Contractor Company to Pay the U.S. Government \$41.9 Million for Travel Rebates Fraud

PricewaterhouseCoopers, LLP (PWC) has agreed to pay \$41.9 million (estimated monetary recovery for NASA is approximately \$245,890) to settle allegations that it made false claims to the United States in connection with claims it made to Federal agencies for travel reimbursement. PWC had received rebates on its travel expenses from travel and credit card companies, airlines, hotels, rental car agencies, and travel service providers but had not deducted those rebates from the amounts submitted for reimbursement. The settlement was reached as a result of a multi-agency investigation. The case originated from a Federal False Claims Act lawsuit alleging that PWC knowingly overbilled many Federal agencies that had contracted its auditing and consulting services.

Aerospace Prime Contractor to Pay NASA \$375,000 for Lack of Oversight of Subcontractor

An OIG investigation resulted in a civil settlement in which an aerospace prime contractor agreed to pay NASA \$375,000. The contractor had failed to provide adequate oversight of a company it had subcontracted with to replace the Space Shuttle emergency egress slides. When the subcontractor incurred additional costs due to its use of incorrect materials, the extra costs were incorporated in a charge back to NASA via the prime contractor.

Former Contractor Employee Is Sentenced

An OIG joint investigation with the Air Force Office of Special Investigations revealed that a former senior buyer with an aerospace company submitted false claims to NASA and DOD. The investigation uncovered evidence that the senior buyer used a front company to create phony invoices and inflate costs for services provided to NASA and DOD. Pursuant to a plea agreement, the senior buyer pled guilty to one count of submitting false claims to DOD. The senior buyer was sentenced to 6 months' confinement and 3 years' probation and was ordered to perform 150 hours of community service and pay \$78,661 in restitution.

Civil Servant Pleads Guilty

As the result of a joint investigation conducted by the NASA OIG and the FBI, a former NASA employee pled guilty to felony conflict of interest and false statements. He also pled guilty on behalf of his company to conspiracy to commit mail and wire fraud in relation to a NASA contract.¹ In his official capacity at NASA, the former employee reviewed and approved work performed by a NASA subcontractor from whom he had arranged to have his personally-owned business receive NASA contract work.

NASA Subcontractor Charged

During a NASA OIG joint investigation with the Air Force Office of Special Investigations and the Department of Justice Anti-trust Division, a NASA and Air Force subcontractor was charged with one count of violating Title 15 United States Code, Section 1 (the Sherman Act), which outlaws contracts and conspiracies that unreasonably restrain interstate and foreign trade. The information alleges that the subcontractor conspired with unnamed co-conspirators to suppress and eliminate competition by rigging bids on construction contracts with respect to the Evolved Expendable Launch Vehicle Program at Space Launch Complex 37 at Cape Canaveral Air Force Station.

Cost Recovery

A NASA subcontractor agreed to reimburse NASA \$208,000 for possible mischarging by an employee, who resigned his position.

¹ See page 15, Office of Inspector General Semiannual Report, October 1, 2004–March 31, 2005, for details of the indictments.

Financial Management

Improved financial management continues to be a significant management challenge for NASA. During this semiannual period, the OIG continued to monitor NASA's progress in that area and made recommendations to management for improved financial management practices.

Root Cause Analysis of Issues Associated with the Implementation of the Integrated Financial Management Program

This report is available on the Web at:

<http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY05/ig-05-020.pdf>

The OIG engaged Ernst & Young LLP (E&Y) to conduct a root cause analysis of issues associated with NASA's ongoing challenges in effectively implementing its integrated financial management system. We issued our summary of E&Y's draft report, *Synopsis of Management Issues Associated with NASA's Integrated Financial Management Program* (IG-05-020, June 3, 2005). The Inspector General stated the most significant problems in financial management at NASA are that NASA's financial management is decentralized, with Center Chief Financial Officers more responsive to Center operational needs than to enterprise solutions for the Agency, and that Agencywide business processes suitable for an integrated approach have not been established. Further, proceeding with enterprise solutions under these circumstances is unacceptable. E&Y determined that the root causes of NASA's Integrated Financial Management Program and financial problems had four major themes: leadership, direction, and communication; data integrity; business process reengineering; and training and software. The synopsis contained several suggestions for NASA to address ongoing challenges to improve its future implementation of enterprise solutions.

Project Management Information Improvement (PMI²) Phase I

This memorandum is available on the Web at:

<http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY05/A-05-026-00.pdf>

PMI² is designed to improve project management information by aligning technical and financial work breakdown structures, which will allow migration to a single data management structure. PMI² will change the entire NASA budget structure, so it is critical that the implementation of Phase I avoid the mistakes that occurred after implementation of the Core Financial Module. Implementation of PMI² Phase I was scheduled to coincide with the beginning of FY 2006. Our review, *Preliminary Observations on the Review of NASA's Readiness to Implement Project Management Information Improvement, Phase I* (A-05-026-00, September 14, 2005), found that the overall NASA workforce, and some directorate officials, had little information about what changes to expect with the implementation of Phase I. They also were not fully aware of the importance

of those changes to their day-to-day activities. With regard to training, although courses had been developed for employees who will be working with the new process, no milestone dates or other details had been set to ensure that all courses will be taken before implementation of Phase I. Further, while some outreach activities were planned to inform staff about the upcoming changes, as of September 8, 2005, no activities had taken place and most had not been scheduled. We made several recommendations that should improve the communication between the Office of the Chief Financial Officer (OCFO) and all NASA employees through a variety of means to ensure that everyone is prepared for implementation of PMI². Also, we recommended that the OCFO direct the PMI² Project Manager to provide each Mission Directorate and Center with specific steps to take, milestones to meet, and information needed to prepare for the upcoming Center Readiness Reviews, and determine how a continuing resolution will be addressed under the new structure. NASA concurred with all of our recommendations and has begun taking corrective action.

Safety

NASA performs some of the most technologically complex tasks of any organization in the world. Programs such as the Space Shuttle and the International Space Station present enormous engineering challenges with inherent dangers and significant safety risks. The OIG audits and investigations are directed toward the goal of improving safety at NASA.

NASA's Response to the Columbia Accident Investigation Board (CAIB)

This report is available on the Web at:

<http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY05/ig-05-015.pdf>

In our report, *Summary of the Office of Inspector General's Reviews on Aspects of NASA's Response to the Columbia Accident Investigation Board Report* (IG-05-015, May 13, 2005), we provided a synopsis of reviews we performed from September 2003 through May 2005. We reported that NASA was meeting its RTF objectives. Further, we identified no significant issues or problems that the Space Shuttle Program was not already engaged in solving that would indicate an unacceptable risk for returning the Space Shuttle to flight. It should be noted, however, that some of the reviews summarized were simply of NASA's plans to address CAIB recommendations, rather than the actual implementation of plans or actions to address those recommendations. During our review, we found that NASA had closed 12 CAIB recommendations. Based on our findings, we believed that NASA's closure, or conditional closure, of 11 of the recommendations was appropriate. However, we did not concur with NASA's closure of the remaining recommendation—develop a state-of-the-art means to inspect all orbiter wiring—because we did not believe NASA's actions met the intent of the recommendation.

Inspections of Space Shuttle Orbiter Wiring

This report is available on the Web at:

<http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY05/ig-05-023.pdf>

We initiated an audit, *Space Shuttle Orbiter Wiring Inspection* (IG-05-023, June 14, 2005) to determine whether Agency actions were responsive to the CAIB recommendation that NASA should develop a state-of-the-art means to inspect all orbiter wiring, including that which is inaccessible. Specifically, we sought to determine whether (1) planned operational changes would make visual inspection more effective and (2) plans would enable NASA to identify and test state-of-the-art evaluation technology and make tested technology available for the orbiter.

A significant amount of orbiter wiring (140 to 157 miles) is insulated with Kapton, a polyimide film used as electrical insulation. Kapton can break down or become damaged with age, mishandling, and exposure to moisture. We found that to address Kapton concerns, the Space Shuttle Program modified visual inspection procedures for orbiter wiring. However, the Space Shuttle Program had not formally assessed the risk of aging and damaged wiring in accordance with NASA Procedural Requirements, specifically its “Risk Assessment Procedures,” or developed a risk mitigation plan based on such an assessment. Without following the systematic risk management approach prescribed in the “Risk Assessment Procedures,” the Space Shuttle Program cannot ensure it has effectively managed the risks of aging and damaged orbiter wiring to increase the likelihood of flight safety. Additionally, the Space Shuttle Program cancelled plans to develop and test state-of-the-art technology for evaluating orbiter wiring. From a risk standpoint, without the new evaluation technology that was at the heart of the CAIB recommendation, the inability to detect problems with inaccessible wiring will continue to be a safety risk for the orbiter. Also, since there is not a commitment to develop new evaluation techniques, any next generation space vehicle is likely to face challenges in evaluating damage to inaccessible wiring.

We recommended that NASA management formally assess the risk of aging and damaged orbiter wiring and develop a risk mitigation plan based on that assessment. We also recommended that NASA management establish a formal procedure that shares lessons learned on development of new nondestructive evaluation technology for wiring inspection. Management concurred with our recommendations and is taking or has taken appropriate corrective actions.

Risks Associated with NASA's Plan for Technical Authority and Safety and Mission Assurance

This report is available on the Web at:

<http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY05/ig-05-024.pdf>

We conducted an audit to review NASA's plans to address the CAIB recommendations that NASA implement an independent Technical Engineering Authority (ITEA), establish direct-line authority for the Headquarters Office of Safety and Mission Assurance (SMA) over the entire Space Shuttle Program safety organization, and reorganize the Space Shuttle Integration Office. In our report, *Risks Associated with NASA's Plan for Technical Authority and Safety and Mission Assurance* (IG-05-024, August 19, 2005), we noted that the organizational structure NASA had planned to establish an ITEA posed some risks, such as how engineering and SMA standards will be integrated to ensure that both technical and safety concerns are appropriately addressed. Given that NASA planned to review the ITEA implementation, we made no recommendation regarding ITEA, but we will continue to monitor NASA's revisions and implementation of the concept. Although NASA's plan describes changes to strengthen the independent funding and reporting paths for SMA functions across the Agency, we reported that NASA diverged from the explicit intent of the CAIB recommendation when it did not implement the direct-line funding and authority for the Space Shuttle Program safety organization at Headquarters. Therefore, we recommended that the Chief SMA Officer demonstrate that there is a healthy, sustainable, and independent oversight function for SMA at the Centers. Management concurred and had taken or planned to take action to address the oversight function. Since we found that NASA had adequately addressed reorganization of the Space Shuttle Integration Office, we made no recommendations on this issue.

NASA's Progress in Addressing CAIB Observations Related to Quality Assurance at the Kennedy Space Center

This report is available on the Web at:

<http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY05/ig-05-018.pdf>

Our *Final Memorandum on NASA's Plans and Actions to Improve Kennedy Space Center Quality Assurance* (IG-05-018, May 13, 2005) provided an evaluation of NASA's progress in addressing the CAIB observations related to quality assurance processes and procedures for Shuttle operations at the Kennedy Space Center (Kennedy). In summary, the CAIB observed that an independently led, bottom-up review should be conducted of the Kennedy Quality Planning Requirements Document; the Quality Assurance Programs should be consolidated under a Mission Assurance Office; training programs should be developed for quality assurance personnel; and management should examine which areas of International Organization for Standardization 9000/9001 truly apply to the Space Shuttle. The CAIB also made a supplemental observation that Kennedy should compare quality assurance specialist civilian grades at Kennedy to other NASA Centers and determine whether the current grade levels are appropriate.

Although we found that NASA had made satisfactory progress in addressing the four primary CAIB observations, NASA's response to the supplemental observation was insufficient. The CAIB found that Kennedy was the only Center that had GS-11 quality assurance specialists; the grade for quality assurance specialists at all other Centers is GS-12. In response to the CAIB observation, Kennedy analyzed the position and determined that it had graded the positions appropriately. However, we found that Kennedy used outdated and obsolete position descriptions for performing the analysis. We recommended that Kennedy perform an assessment to determine the appropriate grade level of each quality assurance employee. Management concurred, performed the assessment, and initiated action to promote those quality assurance specialists who were assessed as performing at the GS-12 level (journeyman level). In addition, Kennedy was implementing individual development plans for quality assurance specialists assessed as not performing at the GS-12 level.

Asbestos and Lead Abatement Principals Plead Guilty

As the result of a joint investigation conducted by the NASA OIG, the Small Business Administration (SBA) OIG, the FBI, the Environmental Protection Agency, the Defense Criminal Investigative Service (DCIS), and the Army Criminal Investigations Division, two companies and their presidents pled guilty to buying false training certificates for their employees working in the asbestos and lead abatement and hazardous waste industries. The individuals and the companies also pled guilty to fraudulently obtaining set-aside contracts for minority-owned companies by submitting false statements to the SBA. The company presidents submitted false statements to the SBA regarding ownership of their companies, which enabled them to receive \$37 million worth of Federal set-aside contracts.

Aerospace Company President and Vice President Charged

As a result of an investigation conducted by NASA OIG, DCIS, and the Department of Energy OIG, the president and vice president of an aerospace metals broker were charged with conspiracy to make false statements, fraud involving aircraft or space vehicle parts in interstate commerce, and wire fraud. The OIG investigation disclosed that the aerospace company allegedly falsified certifications related to metal sold to NASA and DOD contractors.

Other Investigative Matters

Former NASA and Social Security Administration Employees Plead Guilty

Following a joint investigation conducted by the NASA OIG and the Social Security Administration (SSA) OIG, a former NASA employee and an SSA benefit authorizer both pled guilty to charges of conspiracy and fraud. The former NASA employee, while working for NASA, caused fraudulent purchase orders to be awarded to the SSA employee and facilitated NASA's payment of the SSA employee's fictitious invoices for a collective sum of \$194,849.98. The investigation also disclosed that the SSA employee used the SSA computer system to make 11 payments totaling \$52,534.50 to the former NASA employee by falsely representing the NASA employee as the attorney for SSA claimants.

Consultant Pleads Guilty to Theft

A consultant for a private elementary school pled guilty to stealing over \$55,000 in grant funds that his employer received from NASA. A NASA OIG investigation found that the consultant was hired by a private elementary school to purchase equipment in connection with a NASA grant. The consultant never purchased any equipment, but submitted claims to the school for reimbursement.

Company President Pleads Guilty

The president of a NASA subcontractor pled guilty to embezzlement from the company's employee benefit plan and fraudulent receipt of property in bankruptcy. A NASA OIG investigation found that he embezzled \$50,328.17 from the company employees' pension benefit plan. Further, while in bankruptcy proceedings, he caused four checks payable to his company, totaling \$15,208.03, to be deposited into either an account he maintained with another person or into an account he controlled in the name of a new corporation.

Former Space Flight Museum Director Indicted

Following a joint investigation conducted by the NASA OIG and the FBI, the former director of a private space flight museum was indicted and charged with theft of NASA property, mail fraud, wire fraud, money laundering, and interstate transportation of stolen property. The former director allegedly sold space artifacts belonging to the museum or on loan to the museum from NASA.

LEGAL MATTERS

University Settles False Claims Issues with NASA

A NASA investigation determined that a former principal investigator for a grantee at a university was using grant funds to operate a business concern out of the university's research center. The investigation also revealed that some grant funding was not being used for the benefit of intended beneficiaries, i.e., U.S. citizens with minority backgrounds. The university agreed to repay to the United States \$350,000 to settle the false claims allegations. In addition, the university withdrew claims it had filed against NASA alleging improper grant termination and wrongful non-payment of grant, preaward costs, and funding of student stipends.

Tort Claim

A former NASA employee filed a claim against NASA, asserting the torts of malicious prosecution, abuse of process, negligent infliction of emotional distress, and negligent infliction of economic loss, as a result of an investigation of alleged time card fraud. The OIG legal office investigated the claim, analyzed the facts and the law, and recommended a disposition of the claim to the NASA Office of General Counsel. The Office of General Counsel denied the claim for lack of evidence.

REGULATORY REVIEW

During this period, we processed 19 NASA and Headquarters directives, of which 3 were withdrawn following submission of OIG comments. Of those reviewed, the following were of significance to the OIG: NASA Policy Directive 1000.0, *Strategic Management and Governance Handbook*; NASA Procedural Requirement (NPR) 2810.1A, *Security of Information Technology*; NPR 8705, *Safety and Mission Assurance Audits, Reviews, and Assessments*; NPR 8730, *NASA Quality Assurance Program Policy*; and NPR 8715.5, *Range Safety Program*.

APPENDICES

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APPENDIX A

Inspector General Act Reporting Requirements

INSPECTOR GENERAL ACT CITATION	REQUIREMENT DEFINITION	CROSS REFERENCE PAGE NUMBER(S)
Section 4(a)(2)	Review of Legislation and Regulations	22 and 30
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	3-5, 9-22
Section 5(a)(2)	Recommendations for Corrective Actions	3-5, 9-19
Section 5(a)(3)	Prior Significant Audit Recommendations Yet To Be Implemented	29
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	30
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	26
Section 5(a)(7)	Summary of Significant Audit Reports	9-19
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 Reports for which No Management Decision Has Been Made	None
Section 5(a)(11)	Description and Explanation of Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions with which the Inspector General Disagreed	None
Section 5(a)(13)	Reporting in Accordance with Section 05(b) of the Federal Financial Management Improvement Act of 1996 Remediation Plan	16

APPENDIX B

Statistical Reports

During the period April 1 through September 30, 2005, the OIG issued 14 audit reports and 2 memorandums.

Table 1: Audit Reports and Impact

REPORT NUMBER/ DATE ISSUED	REPORT TITLE	IMPACT
AUDIT AREA: INFORMATION TECHNOLOGY		
IG-05-016 05/12/05	NASA's Information Technology Vulnerability Assessment Program	The audit identified vulnerabilities at some NASA Centers that could lead to IT systems being compromised. Consequently, during the audit, NASA took action to ensure an accurate assessment of the vulnerabilities.
IG-05-021 06/09/05	Peer-to-Peer (P2P) File Sharing at [a NASA Center]	NASA was using P2P technology without adequate policies in place to prevent Agency exposure to system vulnerabilities and disclosure of sensitive information.
IG-05-025 09/16/05	NASA's Performance Measure Data Under the Federal Information Security Management Act	NASA IT systems may not be adequately protected, and NASA could not ensure that it can quickly and effectively recover system operations following a service disruption or disaster.
IG-05-026 09/29/05	Federal Information Security Management Act: Fiscal Year 2005 Report From the NASA Office of Inspector General	While our work in FY 2005 reflects constant challenges to and some weaknesses in NASA's IT security, we believe NASA is making progress and improving its IT security posture.
IG-05-027 09/30/05	Information Technology Security Controls on NASA's Administrative Systems and Networks in [NASA Installations]	Controls over NASA facilities and on administrative computer systems and networks at NASA installations we evaluated were not sufficient to ensure the IT security of administrative data and resources.

Table 1: Audit Reports and Impact (continued)

REPORT NUMBER/ DATE ISSUED	REPORT TITLE	IMPACT
AUDIT AREA: PROCUREMENT		
Memorandum 04/29/05	NASA Solicitation Notice: Sponsorship Opportunity for Bandwidth Support to Return-to-Flight Missions (STS-114, STS-121)	The Agency's original solicitation was not authorized under the Space Act and it would have been unlawful for NASA to augment its appropriation. The Agency was provided an alternative in compliance with the Space Act and an opportunity to correct process deficiencies.
IG-05-017 05/13/05	Sole-Source Contract Actions Citing "Only One Responsible Source"	Improvements in the management of sole-source procurements should ensure that barriers to competition are removed or overcome and that the integrity of the procurement process is maintained.
IG-05-022 07/06/05	Sole-Source Purchase Orders Under Simplified Acquisition Procedures	The Government may fail to benefit from the advantages of competition and may pay higher prices.
AUDIT AREA: FINANCIAL MANAGEMENT		
IG-05-020 06/03/05	Synopsis of Management Issues Associated with NASA's Integrated Financial Management Program	The report provided NASA with a synthesis of lessons learned and recommendations to overcome significant problems in implementing enterprise solutions for financial management.
Memorandum 09/14/05	Preliminary Observations on the Review of NASA's Readiness to Implement Project Management Information Improvement [PMI ²], Phase I	The memorandum provided NASA with specific actions to take before implementing PMI ² based on lessons learned from the implementation of the Core Financial Module.

Table 1: Audit Reports and Impact (continued)

REPORT NUMBER/ DATE ISSUED	REPORT TITLE	IMPACT
AUDIT AREA: SAFETY AND SECURITY		
IG-05-018 05/13/05	Final Memorandum on NASA's Plans and Actions to Improve Kennedy Space Center Quality Assurance	Management initiated action to promote quality assurance specialists and raised the journeyman level of a quality assurance specialist to the GS-12 level, which should serve to improve the Center's ability to recruit and retain skilled quality assurance specialist personnel.
IG-05-015 05/13/05	Summary of the Office of Inspector General's Reviews on Aspects of NASA's Response to the Columbia Accident Investigation Board Report	In general, NASA was meeting its RTF objectives, and we identified no significant issues or problems that would indicate an unacceptable risk for returning the space shuttle to flight that the Space Shuttle Program Office was not already engaged in solving.
IG-05-023 07/14/05	Space Shuttle Orbiter Wiring Inspection	Without following the systematic risk management approach, the Space Shuttle Program cannot ensure it has effectively managed the risks of aging and damaged orbiter wiring.
IG-05-024 08/19/05	Risks Associated with NASA's Plan for Technical Authority and Safety and Mission Assurance	The report identifies risks to the planned organization structure. Without policy and procedures, NASA may not be able to ensure that the independence of the individual technical warrant holders is maintained and that the warrant system is appropriately monitored.
AUDIT AREA: QUALITY CONTROL REVIEWS		
IG-05-014 05/09/05	Quality Control Review of Crowe, Chizek and Company, LLC, Office of Management and Budget Circular A-133 Audit Report of the Wheeling Jesuit University, Fiscal Year Ended June 30, 2003	Corrective actions were taken to comply with Office of Management and Budget Circular A-133.
IG-05-019 06/08/05	Quality Control Review of R.J. Ricciardi, Inc. Certified Public Accountant, Office of Management and Budget Circular A-133 Audit of the American Technology Alliances Fiscal Year Ended December 31, 2002	Corrective actions were taken to comply with Office of Management and Budget Circular A-133.

Table 2: Prior Significant Audit Recommendations Yet To Be Implemented

REPORT NO./ DATE ISSUED	REPORT TITLE	DATE RESOLVED	NUMBER OF RECOMMENDATIONS		LATEST TARGET CLOSURE DATE
			OPEN	CLOSED	
NEW SINCE LAST REPORTING PERIOD					
Audit Area Safety					
IG-04-024 09/28/04	Final Memorandum on Government Mandatory Inspections for Solid Rocket Booster Bolt Catchers	09/28/04	3	0	10/31/05
Audit Area: Information Technology					
IG-05-011 03/28/05	Information Assurance Controls in [a System] at [a NASA Center]	09/26/05	2	23	09/30/06
IG-05-013 03/30/05	Final Memorandum on Review of Organizational Structure and Management of Information Technology and Information Technology Security Services at NASA	03/30/05	2	0	11/30/05
REPORTED IN PREVIOUS SEMIANNUAL REPORTS					
Audit Area: Information Technology					
IG-00-055 09/28/00	System Information Technology Security Planning	12/29/00	2	8	01/30/06
IG-03-009 03/27/03	Performance Management Related to Agencywide Fiscal Year 2002 Information Technology Security Program Goals	03/27/03	1	11	01/30/06
IG-04-018 04/15/04	Information Assurance Controls for [a NASA Center's] IT System Need Improvement	04/15/04	1	6	01/30/06

Table 3: Legal Activities and Reviews

Freedom of Information Act Matters	18
Inspector General Subpoenas Issued	16
Regulations Reviewed	19

Table 4: Investigations Activities

Cases Opened	26
Cases Closed	52
Cases Pending	147
Hotline Complaints:	
Received	95
Referred to OA	13
Referred to OI	42
Referred to NASA Management	30
Referred to Other Agencies	1
No Action Required	9

Table 5: Investigations Impact

Indictments/Informations	20
Convictions/Plea Bargains/Pretrial Diversions	14
Cases Referred for Prosecution	22

Table 5: Investigations Impact (continued)

Cases Declined	19
Cases Referred to NASA Management for Action	29
Against NASA Employees	9
Against Contractor Employees	8
Against Firm(s)	4
Other	8
Case Recommendations Referred to Management for Action	32
Against NASA Employees	16
Against Contractor Employees	9
Against Firm(s)	5
Other	2
Cases Referred to Other Agencies for Action	8
Suspensions/Debarments from Government Contracting	10
Individuals	9
Firms	1
Administrative/Disciplinary Actions ¹	15
Against NASA Employees	8
Against Contractor Firm(s)	0
Reported Actions Taken by Contractor Against Contractor Employees	7
Total Recoveries (in Dollars)	\$5,308,195
NASA ²	974,705
NASA Property	0
Other ³	4,333,490

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

² Includes administrative recoveries and contract credits.

³ Includes fines, penalties, restitutions, and settlements from criminal and civil investigations, some of which were conducted jointly with other law enforcement agencies. Also includes miscellaneous receipts received by NASA and returned to the Treasury.

DEFENSE CONTRACT AUDIT AGENCY (DCAA) AUDITS OF NASA CONTRACTORS

The DCAA provides various audit services to NASA on a reimbursable basis. The DCAA provided the following information during this period on reports involving NASA activities, results of NASA actions on those reports, and significant reports that have not been completely resolved.

DCAA Audit Reports Issued

During this period, DCAA issued 327 audit reports (excluding preaward contractor proposal evaluations) on contractors who do business with NASA. DCAA also issued 117 reports on audits of NASA contractor proposals totaling \$2,233,662,000, which identify cost exceptions totaling about \$29,225,000. However, some of DCAA's reported cost exceptions are attributable to unsuccessful contractor proposals that NASA never accepted or relied upon for contract negotiation. Therefore, the actual amount of potential savings to NASA from DCAA-cited cost exceptions in its audit reports is less than the reported total cost exceptions amount.

NASA Actions

Corrective actions taken on DCAA audit report recommendations usually result from negotiations between the contractor and the Government contracting officer. The following tables show the number of all DCAA audit reports and amounts of questioned costs and funds put to better use for the reporting period. During this period, NASA management resolved 70 reports with \$12,290,000 of questioned costs and 42 reports with \$20,968,000 of funds put to better use. NASA management sustained 65.7 percent of DCAA's questioned costs and 33.5 percent of the funds put to better use.

Table 6: DCAA Audits with Questioned Costs^{1,2}

	NUMBER OF AUDIT REPORTS ³	TOTAL COSTS QUESTIONED
No management decision made by beginning of period ⁴	249	\$217,167,000
Issued during period	83	28,885,000
Needing management decision during period	332	246,052,000
Management decision made during period:	70	12,290,000
Dollar value of contract recoveries		8,075,000

Table 6: DCAA Audits with Questioned Costs^{1,2}(continued)

	NUMBER OF AUDIT REPORTS ³	TOTAL COSTS QUESTIONED
Dollar value of costs not recovered		4,215,000
No management decision made by end of period	262	233,762,000

¹ This data is provided to the NASA OIG by the DCAA and includes incurred costs, Cost Accounting Standards, defective pricing claims, and terminations. 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 None of the data presented includes statistics on audits that resulted in contracts not awarded, or the contractor was not successful. The data in “No management decision made by end of period” may include some audit reports that will ultimately meet this same circumstance, but are not yet recorded as such.

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

⁴ Total is the amount beginning April 1, 2005, adjusted for (a) contracts not awarded, and (b) revised audit findings and recommendations.

Table 7: DCAA Audits with Recommendations That Funds Be Put to Better Use^{1,2}

	NUMBER OF AUDIT REPORTS ³	TOTAL COSTS QUESTIONED
No management decision made by beginning of period ⁴	62	\$58,173,000
Issued during period	49	36,298,000
Needing management decision during period	111	94,471,000
Management decision made during period:	42	20,968,000
Amounts agreed to by management		7,019,000
Amounts not agreed to by management		13,949,000
No management decision made by end of period	69	73,503,000

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

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

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

⁴ Represents amounts beginning April 1, 2005, adjusted for (a) contracts not awarded, and (b) revised audit findings and recommendations.

APPENDIX C

GLOSSARY AND ACRONYMS

Glossary

Final Action (the Inspector General (IG) Act of 1978 definition). The completion of all actions 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 restitution; 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 they represent 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 costs questioned. This process takes time; therefore, this category may include costs that were questioned in both this and prior reporting periods.

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

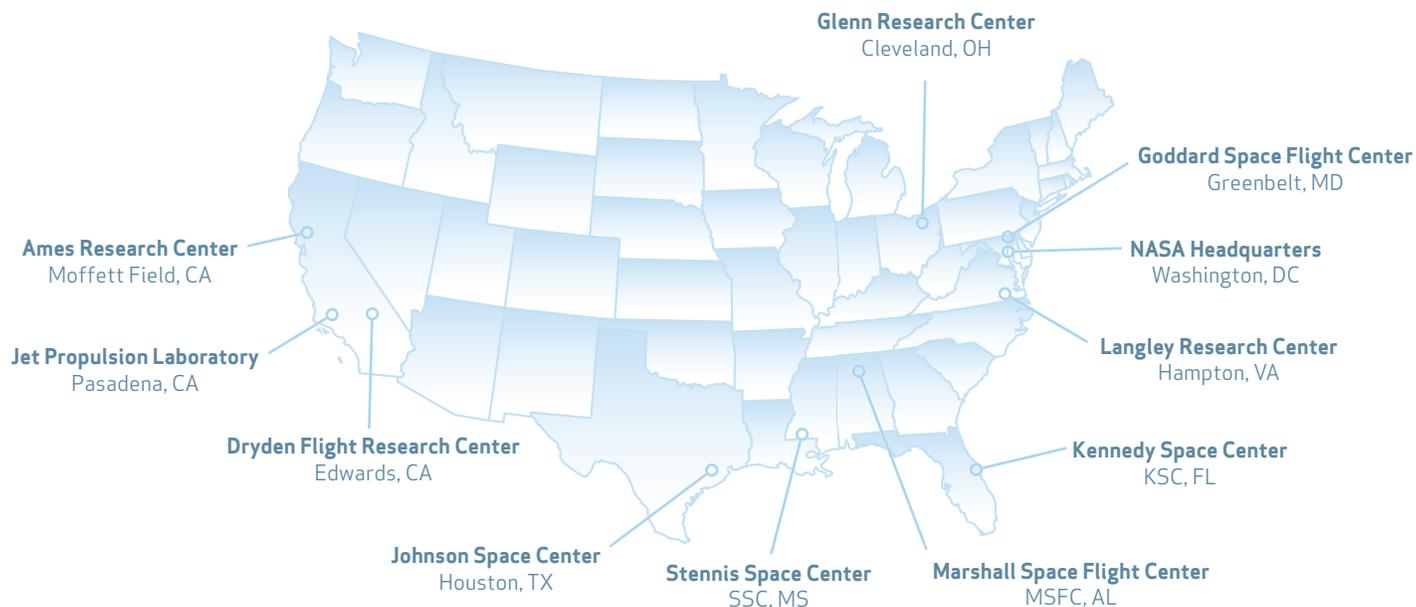
Recommendations that Funds Be Put to Better Use (the IG Act of 1978 definition). A recommendation by the OIG that funds could be more efficiently used if management took actions to implement and complete the recommendation, including: (1) reductions in outlays; (2) deobligation of funds from programs 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 preaward reviews of contract or grant agreements; or (6) any other savings which are specifically identified. (Note: Dollar amounts identified in this category may not always allow for direct budgetary actions, but generally allow the agency to use the amounts more effectively in accomplishment of program objectives.)

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

Work Breakdown Structure. A product-oriented hierarchical division of the hardware, software, services, and data required to produce a program or project's end product(s) that management uses as a tool to track program or project costs more accurately.

ACRONYMS

CAIB	Columbia Accident Investigation Board
CIO	Chief Information Officer
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DOD	Department of Defense
E&Y	Ernst & Young LLP
FAR	Federal Acquisition Regulation
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
ITEA	Independent Technical Engineering Authority
JPL	Jet Propulsion Laboratory
LRO	Lunar Robotic Orbiter
NPR	NASA Procedural Requirement
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OA	Office of Audits
OI	Office of Investigations
OMP	Office of Management and Planning
PMI²	Project Management Information Improvement
PWC	PricewaterhouseCoopers, LLP
RTF	Return to Flight
SBA	Small Business Administration
SMA	Safety and Mission Assurance
SSA	Social Security Administration



NASA Office of Inspector General

Suite 8V79
 NASA Headquarters
 Washington, DC 20546-0001
 Tel: 202-358-1220

Ames Research Center

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

Goddard Space Flight Center

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

Jet Propulsion Laboratory

Audits
 NASA Office of Inspector General
 Mail Stop 180-301
 Jet Propulsion Laboratory
 4800 Oak Grove Drive
 Pasadena, CA 91109-8099
 Tel: 818-354-9743

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

Dryden Post of Duty

Tel: 661-276-3130

John H. Glenn Research Center at Lewis Field

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

Lyndon B. Johnson Space Center

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

Investigations
 NASA Office of Inspector General
 Mail Stop W-JS2
 416 South Room 121
 Lyndon B. Johnson Space Center
 Houston, TX 77058-3696
 Tel: 281-483-8427

Langley Research Center

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

Investigations
 NASA Office of Inspector General
 Office of Investigations
 Mail Stop 205
 Langley Research Center
 Hampton, VA 23681-2199
 Tel: 757-864-3263

John F. Kennedy Space Center

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

George C. Marshall Space Flight Center

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

Stennis Space Center

NASA Office of Inspector General
 Building 3101, Room 119
 Stennis Space Center, MS 39529
 Tel: 228-688-1493 Audits
 228-688-2324 Investigations

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 Cyber Hotline: <http://www.hq.nasa.gov/office/oig/hq/cyberhotline.html>
 Toll-Free Hotline: **1-800-424-9183** or **TDD: 1-800-535-8134**



OFFICE OF INSPECTOR GENERAL

HOTLINE

1-800-424-9183

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or write to

NASA OFFICE OF INSPECTOR GENERAL

P.O. BOX 23089, L'ENFANT PLAZA STATION, WASHINGTON, DC 20026

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