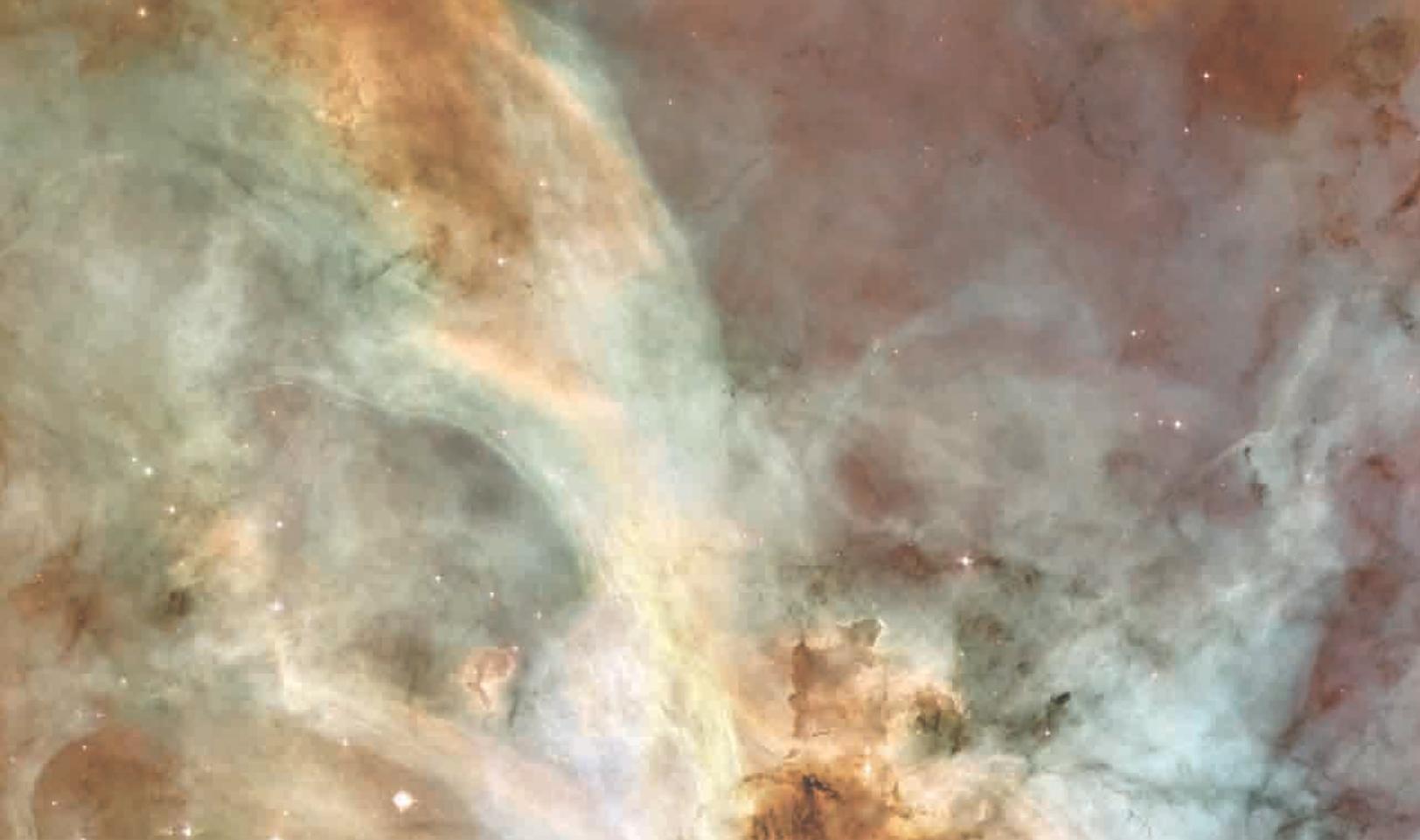




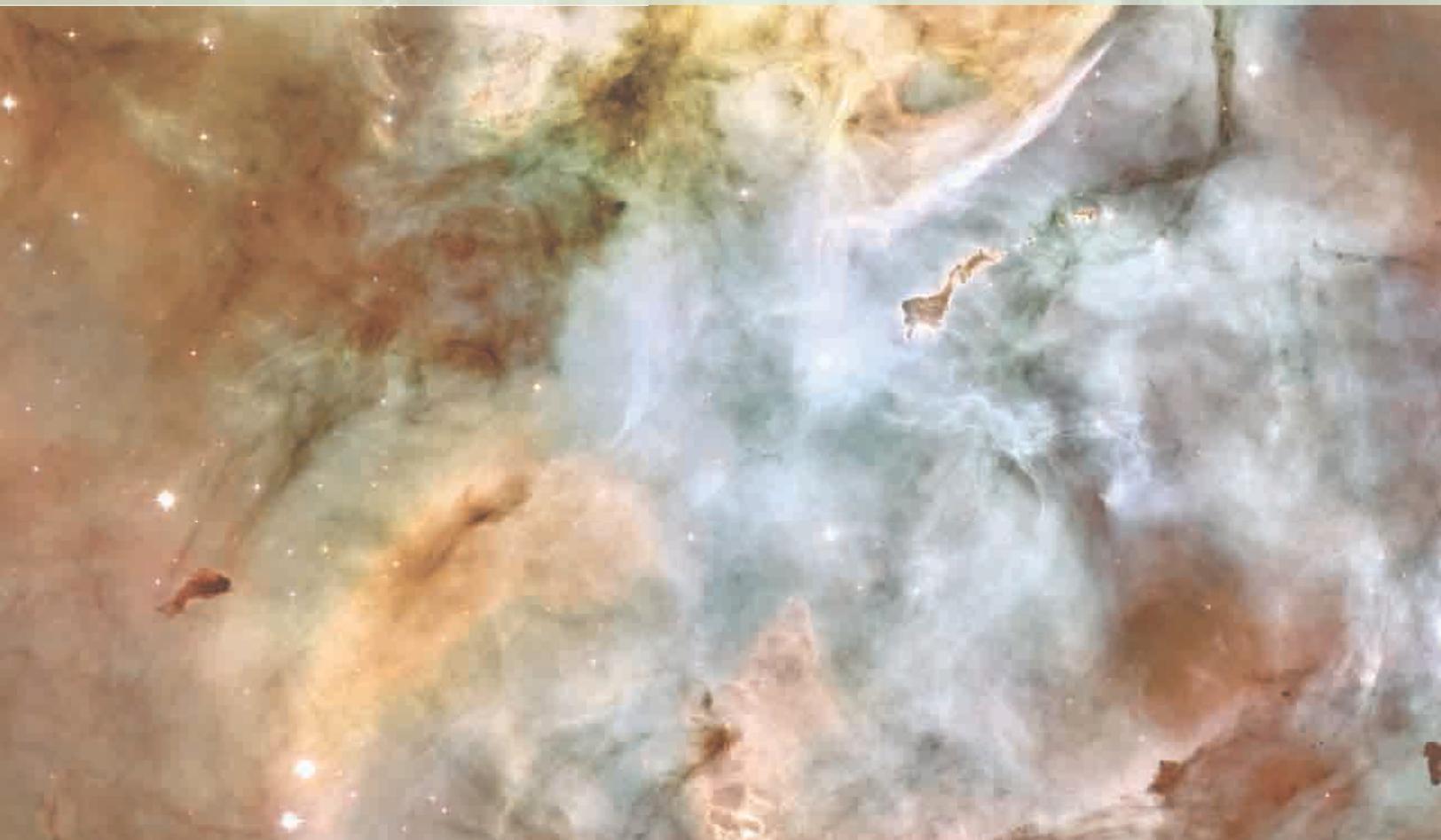
National Aeronautics and  
Space Administration  
Office of Inspector General  
**SEMIANNUAL REPORT**

APRIL 1–SEPTEMBER 30, 2008





# The Carina Nebula ✦





## FROM THE INSPECTOR GENERAL

Robert W. Cobb  
Inspector General

It is my pleasure to submit this semiannual report on activities of the NASA Office of Inspector General (OIG) for the period April 1–September 30, 2008.

During this period, this Office completed numerous audit and investigative activities reflecting successful execution of the OIG mission to promote the economy, efficiency, and effectiveness of NASA and to prevent and detect crime, fraud, waste, and abuse. Our activities addressed a diverse range of issues, with particular reference to areas that constitute performance and management challenges facing the Agency.

NASA's most pressing management and performance challenge continues to be the transition from the Space Shuttle to the next generation of space vehicles. In this regard, NASA's new authorization legislation directs the Agency to conduct two scheduled Shuttle contingency flights and one additional mission. NASA's philosophy has been to have "the last flight as safe" as the first flight after return to flight. While the authorization language puts responsibility on the Administrator to abort the additional mission if it is not safe to fly, safety is incremental and fluid, not fixed. For example, as hardware becomes scarce, program risk tolerance may expand due to less flexibility in flight hardware decisions.

Also, pursuant to its new authorization legislation, NASA is to terminate or suspend until April 30, 2009, any action that would prevent the Shuttle from flying beyond 2010. This provision would provide a new Administration some time to consider extending the Shuttle program while preventing further erosion in the program's capability to fly beyond 2010. Continuing Space Shuttle operations beyond the scheduled missions is inconsistent with the President's Vision for Space Exploration and the transition plan that NASA has executed for almost 5 years, which were dependent on the Shuttle retiring in 2010. In 2003, the Columbia Accident Investigation Board (CAIB) concluded that "recertification . . . is essential if the Shuttle is to continue operating for another 10 to 20 years." The CAIB's recommendation was that the Agency, "[p]rior to operating the Shuttle beyond 2010, develop and conduct a vehicle recertification at the material, component, subsystem, and system levels." While NASA made many improvements to the Shuttle over the past 5 years, the in-depth and costly processes associated with recertification have not been undertaken because the plan has been to end the

program by 2010. Continuing to operate the Shuttle with its 30-year-old technology beyond 2010 could expose NASA to unknown technical, safety, and financial risk.

The results of our activities reflected in this report address project management; safety; acquisition management, to include reviews and audits of budget and financial processes; information technology security; fraud; conflicts of interest; and other crimes and misconduct. Some of the specific topics addressed include opportunities to enhance the budgeting processes for the Constellation Program, actions needed to improve security at a NASA Center, potential cost savings in test operations contracts for rocket propulsion systems, and a recommendation concerning the controversial National Aviation Operations Monitoring Service Project. We also completed investigations involving NASA employees and contractors that resulted in disciplinary actions, convictions, prison sentences, fines, and restitution. Among these were investigations that addressed safety inspections for a NASA aircraft, the misuse and theft of Government property, conflicts of interest and embezzlement.

I emphasize work in two particular areas. First, in June, the NASA OIG issued its investigative and audit reports concerning the alleged manipulation of scientific research by public affairs officials at NASA. The investigative summary identified numerous actions that “reduced, marginalized, or mischaracterized” information regarding climate change science. The report considered the very complex role of public affairs officials charged with simultaneously advancing the policies of the Administration while fulfilling the requirements of the Space Act and NASA policy to disseminate scientific and technical information; in the end, the requirement for NASA to provide “the widest practical and appropriate dissemination” of scientific information must prevail if there is conflict between the two. The audit report identified the opportunity to enhance the efficiency and effectiveness of the process for reviewing scientific and technical information for public release by developing an automated, Agency-wide tracking system and ensuring compliance with existing requirements.

Second, we conducted work that reflects on the challenges NASA faces in avoiding potential conflicts of interest given its complex relationship with aerospace contractors. Specifically, our work disclosed that some of the experts that NASA relied on for independent technical advice through review boards have, through their employers, interests associated with the very projects on which the Agency seeks advice. In response to our work, the Agency is addressing the challenge of obtaining the independent advice it needs from the relatively small community of scientists and engineers who are qualified to provide it in a manner that is free from conflicts.

I believe this report fairly summarizes our audits and investigations and demonstrates the breadth and quality of our work, as well as the value that our products and services bring to NASA, Congress, and the public.



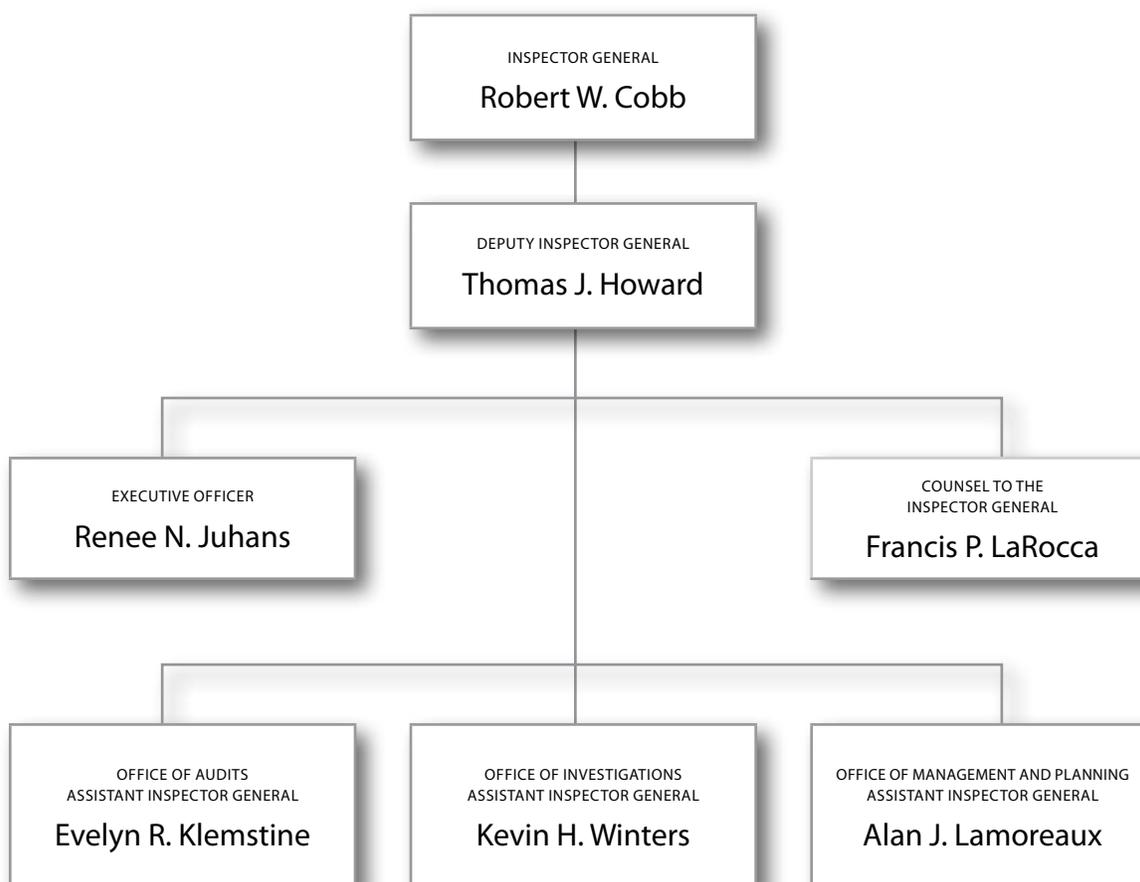
Robert W. Cobb  
Inspector General

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## ORGANIZATION



THE NASA INSPECTOR GENERAL (IG) promotes economy and efficiency in the administration of NASA's programs and operations and prevents and detects fraud and abuse. The IG provides policy direction; conducts, supervises, and coordinates audits and investigations relating to NASA programs and operations; and reviews existing and proposed legislation and regulations relating to NASA. Through reports and other means, the IG keeps the NASA Administrator and Congress fully informed of fraud and other serious problems, abuses, and deficiencies relating to the administration of NASA programs and operations; recommends corrective actions concerning those issues; and reports on the progress made in implementing the corrective actions.

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.

COUNSEL TO THE INSPECTOR GENERAL provides advice and assistance on a variety of legal issues and matters relating to OIG review of NASA's programs and operations. The legal staff reviews legislation, regulations, Freedom of Information Act (FOIA) requests, and congressional matters that require OIG attention. Additionally, the staff provides advice and assistance on legal matters to OIG senior management, auditors, and investigators and serves as counsel in administrative litigation in which the OIG is a party or has a substantial interest. The legal staff also assists the Department of Justice (DOJ) in litigation in which the OIG participates as part of the prosecution or civil team or in which the OIG is a witness or defendant.

THE OFFICE OF AUDITS (OA) is responsible for conducting independent and objective audits, reviews, and other examinations to improve the economy, efficiency, and effectiveness of NASA programs, projects, operations, and contractor activities. In addition, OA oversees the work of the independent public 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 crime, 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 identifies crime indicators and recommends measures for NASA management that are designed to reduce NASA's vulnerability to criminal activity.

THE OFFICE OF MANAGEMENT AND PLANNING (OMP) provides financial, procurement, human resources, administrative, and information technology (IT) services support to the OIG staff. The OMP develops, executes, and controls the OIG budget; acquires supplies and services through NASA contracting officers; and provides personnel services that include recruitment, performance management, qualifications and classification, and employee-relations functions. The OMP provides state-of-the-art IT capabilities for the OIG and coordinates the preparation of the strategic plan and the OIG Semiannual Report to Congress. The OIG's fiscal year (FY) 2008 budget of \$32.6 million supports the work of audit, investigative, and administrative activities.

## SIGNIFICANT AUDITS AND INVESTIGATIONS

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### *Space Operations and Exploration (Transition)*

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Space operations and space exploration remain the most highly visible aspects of NASA's mission to sustain and plan for the future of human space flight. The work of the OIG continues to address transition issues and circumstances that could have an impact on the efficiency and effectiveness of NASA's operations and mission. During this semiannual reporting period, we focused on the role of the Standing Review Boards (SRBs) in providing independent assessments of the Agency's Constellation Program.

#### **NASA OIG Finds Lack of Independence and Organizational Conflicts of Review Board Members**

During our audit of the Orion Crew Exploration Vehicle (Orion) Project, we found that NASA had not established the Orion SRB in accordance with Federal law or NASA guidance. The SRB, which is tasked with providing independent assessments of the Orion Project during its life cycle, included SRB members who were employees or stockholders of Orion contractors, creating an organizational conflict of interest as defined in the Federal Acquisition Regulation (FAR) between the members' employers and NASA. We recommended that NASA suspend the involvement of six members from the SRB until an evaluation of the legality and propriety of their membership is concluded. We also recommended that the Agency identify any new advisory committees that include non-NASA personnel and evaluate the purpose, responsibilities, and membership of all SRBs to determine the optimum approach for accomplishing the SRB mission while ensuring compliance with all applicable guidance.

In response to our report, NASA management took action to determine the optimum approach for SRBs and to revise Agency guidance as appropriate. However, the former Associate Administrator for Program Analysis and Evaluation stated that he does not believe that the Federal Advisory Committee Act (FACA) or the FAR applies to the Orion SRB. We are continuing to work with management to resolve the report's recommendations concerning the Orion SRB issues of independence and conflict of interest, in particular, and the applicability of FACA and the FAR to SRBs in general.

*Final Memorandum on the Standing Review Board for the Orion Crew Exploration Vehicle Project (IG-08-018, April 28, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-018.pdf>

#### **OIG Urges NASA to Improve Budget Process for Constellation Program**

OA conducted this audit to determine whether the FY 2008 budget for the Constellation Program (CxP) was prepared in accordance with Office of Management and Budget

(OMB) and NASA policy and whether the CxP budget request was supported by well-documented cost estimates.

NASA could improve its budgeting process by providing additional guidance to ensure that budget requests are supported by well-documented cost estimates. We found that while the CxP project managers had supporting documentation for the \$1.1 billion of the direct cost estimates that we reviewed, the majority was at the summary level and not sufficiently detailed.

We recommended that NASA could improve its budgeting process by adopting the standards recommended by the GAO Cost Guide and ensuring that budget requests incorporate cost estimates based on historical or actual cost data, vendor quotes, and spreadsheets with detailed calculations prepared by subject matter experts showing how they arrived at the cost estimates. We also recommended that the Constellation Program Manager require that budget requests be prepared using cost estimates that are sufficiently documented as to allow an independent cost analyst to reproduce the estimate.

In response to a draft of this report issued August 12, 2008, the Associate Administrator for Program Analysis and Evaluation nonconcurred with our first recommendation but stated that NASA incorporated the best practices from the exposure draft of the GAO Cost Guide into its 2008 Cost Estimating Handbook. NASA concurred with our second recommendation and stated that CxP has been and will continue to apply the techniques and best practices outlined in NASA's Cost Estimating Handbook. The techniques and best practices are in concert with the GAO Cost Guide. We consider management's comments to be responsive. Both recommendations will be closed upon verification of management's actions.

*Cost Estimates Used to Support the Fiscal Year 2008 Budget Request for NASA's Constellation Program Could Have Been Better Documented (IG-08-030, September 18, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-030.pdf>

## **NASA OIG Finds Required Clause Omitted in Space Suit Request**

We focused our audit on key elements of the pre-acquisition planning for the Constellation Space Suit System (CSSS), to include the acquisition approach, design architecture, cost and schedule plans, contract strategy, and oversight structure. We also evaluated pertinent guidance to gain an understanding of the Agency's life-cycle phases and requirements. We found that pre-acquisition planning for the CSSS acquisition approach, design architecture, cost and schedule plans, contract strategy, and oversight structure was conducted in accordance with NASA procedural requirements.

We noted that weight requirements imposed by Constellation Program management could affect the design, development, cost, and schedule of the CSSS; however, management was also aware of the issue, had given it prioritized attention, and had a potential action plan in place for the mitigation of associated risks. As a result, we made no recommendation for additional management action with regard to that issue. However, we identified a noncompliance issue that does warrant management action. Specifically, the contract for the CSSS did not include the Earned Value Management clause, a NASA requirement. The clause mandates monitoring Earned Value Management and establishing a system that generates timely, accurate, reliable, and traceable information on contractor performance. We notified management of the omission, and management agreed to include the clause in the contract. When we followed up after the contract was awarded, however, we learned that the clause had not been added. Therefore, we recommended that management track this issue and ensure that the Earned Value Management clause is added to the contract as soon as permissible.

We also identified a potential conflict of interest concerning at least one member of the CSSS Standing Review Board. We are addressing this issue in an ongoing assignment, “Review of the Constellation Program’s Standing Review Boards” (S-08-021-00).

*Termination memorandum, “Audit of NASA’s Pre-Acquisition Planning for the Constellation Space Suit System” (Assignment No. A-07-019-00, July 29, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/A-07-019-00.pdf>

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### *Safety (Managing Risk)*

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

#### **NASA to Take Action to Improve Security at a NASA Center**

In April 2007, the Chairman of the Permanent Subcommittee on Investigations, Senate Committee on Homeland Security and Governmental Affairs, requested that the NASA OIG investigate allegations received by his office of serious security concerns at a NASA Center. We initiated this audit to determine whether security services provided at the Center complied with NASA Security Program requirements, policies, and procedures. Specifically, we evaluated the Center’s decisions concerning staffing levels of contract security police and the Center’s physical security procedures.

Our audit validated the overarching premise of the allegations in that we found the security posture at the Center to have degraded over the last few years and that the security posture was in jeopardy of degrading further in the future. We found that the Center’s Security Program was not in compliance with NASA Security Program

requirements. Specifically, the Center had not conducted or considered threat assessments as required by NASA policy; critical infrastructure assets at the Center were not identified, assessed, and protected in accordance with NASA Security Program Requirements; and NASA Headquarters was not inspecting the Center's Security Program, as required by NASA policy. As a result, NASA had no assurance that it was devoting the appropriate level of resources to protect the Center's personnel, facilities, and equipment. The corrective actions taken or planned by management were responsive to our recommendations.

*[A NASA] Center's Security Program Needed Improvement (IG-08-025, September 19, 2008)*  
<http://oig.nasa.gov/audits/reports/FY08/IG-08-025-summary.pdf>

### **Outside Agencies to Analyze NAOMS Methodology and Data**

As reported in the March 31, 2008, semiannual report, our final report on the review of the National Aviation Operations Monitoring Service (NAOMS) requested that NASA provide additional comments. NASA had nonconcluded with our recommendation to post on the Internet a detailed analysis of the NAOMS survey data research, findings, and conclusions, which could provide aviation safety specialists valuable insight to the NAOMS research for application and attainment of a safer National Airspace System. The Associate Administrator for the Aeronautics Research Mission Directorate (ARMD) stated that the most important work related to NAOMS is developing a better understanding of the validity of the survey methodology. Given that NASA has contracted with the National Research Council to assess the NAOMS methodology, we revised our recommendation to make the publication of a detailed analysis contingent upon the assessment of the methodology.

The intent of our recommendation was to bring closure to the NAOMS Project while providing the aviation safety community greater access to the research through the publication of an analysis by the NASA personnel who developed the NAOMS research. In response to our final report, ARMD argued that NASA resources could be better spent and that the intent of the recommendation would be met by the National Research Council's work and a Government Accountability Office (GAO) analysis of the NAOMS data undertaken at the request of the House Committee on Science and Technology. We agreed with the ARMD Associate Administrator and closed the recommendation.

*Final Memorandum on the Review of the National Aviation Operations Monitoring Service (IG-08-014, March 31, 2008)*  
<http://oig.nasa.gov/audits/reports/FY08/IG-08-014.pdf>

*Addendum to Final Memorandum (IG-08-014-a, May 9, 2008)*  
<http://oig.nasa.gov/audits/reports/FY08/IG-08-014-a.pdf>

## **Glenn Agrees with OIG Recommendations to Enhance Emergency Response System**

OA conducted this review to evaluate the effectiveness of Glenn's emergency response system. We evaluated the adequacy of Glenn's emergency response policies and procedures, the implementation of those policies and procedures, and Glenn management's oversight of the emergency response system.

We found that the lack of clearly defined roles and responsibilities for Glenn responders, along with the absence of memorandums of understanding (MOUs) with off-site responding organizations, negatively affected Glenn's ability to implement the Incident Command System (ICS) and respond effectively to emergencies. Although the Emergency Preparedness Plan (EPP) requires Glenn emergency responders to implement ICS when responding to emergencies, it did not clearly define the roles, responsibilities, authority, and limitations for each of the responders and responding organizations under ICS. In addition, Glenn did not have MOUs with local police, fire, and rescue departments designating how they should coordinate and integrate with the Glenn responders during an emergency. Glenn's ability to respond effectively to on-site emergencies is contingent on the mobilization and use of resources from multiple and diverse response organizations. When properly implemented, ICS provides a management system that allows these resources to be effectively managed and integrated. When ICS is not properly implemented during an emergency, the chain of command and lines of communication can become confused, increasing the risk of injury for responders and other personnel, as well as increasing the risk of damage to NASA assets.

Our report made several recommendations to improve the effectiveness of Glenn's emergency response system. We also informed management that we had identified Glenn facilities with inadequate emergency evacuation plans. The Glenn Director concurred with our findings, stating that Glenn would

- review the roles and responsibilities of on-site and off-site emergency responders;
- analyze and determine the best organization for emergency response and incorporate the results into the Center EPP;
- initiate negotiations to establish MOUs with adjoining or jurisdictional organizations that provide fire suppression, fire rescue, emergency medical services, police, and hazardous chemicals and materials response; and
- develop a new emergency action plan for each facility at Glenn.

In addition, during our review, Glenn instituted the use of ICS and implemented an aggressive training effort to upgrade the credentials of emergency responders.

*Glenn Research Center Needs to Better Define Roles and Responsibilities for Emergency Response (IG-08-027, September 3, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-027.pdf>

## Contractor Improves Procedures for Rocket Refurbishment

OA reviewed the reporting procedures used by Alliant Techsystems, Inc. (ATK) for a rocket segment handling incident. The review was initiated in response to a complaint alleging that personnel at ATK did not follow proper reporting procedures subsequent to an incident involving the handling and movement of a rocket segment at ATK's Component Refurbishment Center in Clearfield, Utah, on April 8, 2008. ATK provides refurbishment and manufacturing services for space programs; the Clearfield Center's primary function is to return used Space Shuttle hardware to a reusable condition under a contract managed by Marshall Space Flight Center (Marshall).

We found that the move crew members acted in accordance with ATK policy by stopping the April 8, 2008, operation and reporting the incident to the crew supervisor. However, we determined that refurbishment of the rocket segment continued throughout April without adequate inspection or testing and that the report on the incident was inaccurate. On April 9, 2008, before learning that the rocket segment was involved, the Clearfield Center Director reported the incident as a tooling issue. In interviews with the OA review team, the Director stated that no incident that could have resulted in damage to program critical hardware should be handled as a tooling issue. The incident was inaccurately reported because the Director did not have all the available information prior to his initial report.

ATK policy requires documentation of all incidents that could result in damage to program critical hardware. E-mail documentation of the incident by the move crew stated that the rocket segment was involved. However, the Clearfield Center Director was not aware of those e-mails until our review revealed them during our visit to the Clearfield Center, April 28–30, 2008. When the Clearfield Center Director became aware of the e-mail documentation, he took immediate and appropriate action. The Director ordered an MRI examination of the segment, which did not reveal any damage to the segment. The Director also instructed the move crew, in coordination with handling and safety engineers, to reenact the steps involved in the operation, which was the mounting of a wash cover onto a rocket segment, and to provide input on how the Clearfield Center could improve the process. Based on this input, ATK management issued a standard work instruction, Form FA-0043-100, "Aft Segment Wash Cover Installation Procedures," May 20, 2008, that provides details on the process for the installation and removal of the wash cover. At the time of the April 8 incident, ATK did not have a standard work instruction for mounting a wash cover onto a rocket segment.

*Final Memorandum on the Review of Rocket Segment Handling (IG-08-029, September 5, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-029.pdf>

## **Former Maintenance Chief Pleads Guilty**

The former Chief of Maintenance (Chief) for a NASA contractor responsible for maintaining NASA aircraft pled guilty to violating NASA regulations. The guilty plea is a result of the Chief falsifying maintenance cards related to inspections of NASA aircraft. The OI investigation disclosed that the Chief signed off on inspections on NASA aircraft knowing that the inspections had not been done.

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## *Financial Management*

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Financial management remains a significant management challenge for NASA. During this semiannual reporting period, the OIG continued to monitor the Agency's progress in this area and made recommendations to improve financial management and budgeting processes.

## **NASA Remains Noncompliant with FFMIA**

The Federal Financial Management Improvement Act (FFMIA) requires that each agency implement and maintain financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. If an agency's financial systems do not comply with these requirements, the agency must establish a remediation plan. FFMIA allows agencies 3 years to implement their remediation plans. Plans must identify resources, remedies, and intermediate target dates specifying when the agency's systems will be brought into compliance. Section 804(b) of FFMIA and implementing guidance require IGs to report when their agency has not met intermediate target dates established in its remediation plan.

In NASA's FY 2006 Performance and Accountability Report, management and the Agency's independent public accounting (IPA) firm, Ernst & Young LLP (E&Y), stated that NASA's financial management system did not comply substantially with FFMIA. The Office of the Chief Financial Officer (OCFO) submitted a remediation plan to OMB addressing the FFMIA-related material weaknesses disclosed in E&Y's "FY 2006 Report on Compliance with Laws and Regulations." NASA management and the IPA identified similar instances of noncompliance in the FY 2007 Agency Financial Report. In addition to the prior year issues, the auditors noted that NASA was unable to meet certain requirements to ensure compliance with Federal accounting standards. Specifically, NASA did not have a process or controls for identifying and estimating environmental cleanup costs in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 6, "Accounting for Property, Plant, and Equipment."

As of September 2008, NASA had not prepared an updated FFMIA remediation plan addressing the instances of noncompliance identified by management and the IPA during the FY 2007 financial statement audit and specifying when NASA's systems will be brought into compliance. Instead, the Agency prepared a discussion paper

describing how its Comprehensive Compliance Strategy (CCS) and Continuing Monitoring Program (CMP) address the requirements of FFMIA. According to the CCS document, dated April 2008, the CCS was developed to help NASA focus on ensuring compliance with generally accepted accounting principles (GAAP) and other financial reporting requirements. The CCS document also states that the CCS covers the standards and requirements necessary to resolve deficiencies noted in recent audit reports and other communications from independent entities, such as GAO. The CCS further states that it serves as the basis for implementing comprehensive proactive corrective actions Agency-wide through a phased approach executed on a continuous basis. According to the OCFO, the Agency uses its CMP to assess and evaluate internal controls, compliance with GAAP, and evidence used to support that balances and activity reported in NASA's financial statements are accurate and complete by requiring the Centers to perform a set of control activities. When a Center identifies exceptions while performing the control activities, the Center will document the description of the exception, actions needed for resolution, expected resolution date, and individuals responsible for resolution.

While the CMP identifies certain elements related to resolution, it only addresses specific exceptions noted during the performance of the control activities by specific locations. As such, the corrective actions performed to resolve the exceptions do not necessarily address NASA-wide issues affecting FFMIA compliance. Furthermore, the CMP does not specify when NASA's systems will be brought into compliance, as required by Section 803(c)(3)(A) of FFMIA. As a result, there are no intermediate target dates against which to measure NASA's corrective action efforts. The NASA OIG will continue to monitor the Agency's progress toward resolving instances of noncompliance with FFMIA and report, as needed, on progress made in future semiannual reports.

### **NASA's Asset Management Module Should Help Mitigate Deficient Reporting**

We conducted an audit of NASA's Integrated Asset Management – Property, Plant, and Equipment (IAM/PP&E) module, which is an automated asset-management system designed to integrate logistics and financial processes to account for and facilitate management of NASA property. Our objective was to determine whether NASA adequately defined the module's project requirements to achieve six identified benefits—(1) more accurate, timely valuation of PP&E; (2) improved valuation, capitalization, and depreciation processes; (3) improved audit trail of capitalized PP&E; (4) standardization of NASA-held and contractor-held property management processes; (5) elimination of manual processes; and (6) reduced operational costs—and also to determine whether the project design addressed stakeholder needs.

We determined that NASA adequately defined the project requirements to ensure the six benefits could be achieved and be measured. We also found that, to help ensure that stakeholder needs were met, project management included stakeholders in the requirements development process. In addition, we determined that the IAM/PP&E module, as designed, and the corresponding changes in NASA's business processes and controls should help mitigate deficiencies reported as material weaknesses by E&Y, the IPA firm that has audited NASA's financial statements for the past 4 years.

We noted, however, that inaccurate data could limit the system's contribution to improved financial reporting. Approximately 6,300 records of capital assets, with an acquisition value of \$32 billion, were not validated prior to being transferred into IAM/PP&E. Also, NASA had not resolved an equipment management issue that allows employees to bypass the Agency's central receiving function—which should serve as the primary control point for receipt and acceptance—and does not limit the amount or type of equipment purchases that can be sent directly to an end-user. However, we did not address the impact of these issues because E&Y planned to perform tests of the IAM/PP&E module and NASA's corresponding manual controls as part of its FY 2008 audit of NASA's financial statements.

*Final Memorandum on NASA's Development of the Integrated Asset Management – Property, Plant, and Equipment Module to Provide Identified Benefits (IG-08-032, September 25, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-032.pdf>

### **Former NASA Finance Employee Sentenced**

A former NASA Goddard Space Flight Center employee, who was a fugitive since being charged in 2001, was apprehended and pled guilty to Federal theft charges in connection with a fraudulent scheme where she altered NASA vendor accounts to direct vendor payments to her personal bank account. She was sentenced to 1 year in prison and 3 years' probation and ordered to pay restitution to NASA in the amount of \$148,321.

*Arrest and guilty plea previously reported March 31, 2008, page 16.*

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## *Acquisition and Contracting*

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NASA expends most of its budget through contracts and other procurement vehicles; therefore, efficient and effective acquisition processes and contract management are critical to NASA's success in achieving its overall mission. The OIG, through its audits and investigations, continues to be committed to helping NASA improve those processes, such as achieving efficiencies and associated benefits through consolidation efforts and ensuring that contracts are managed effectively.

### **OIG Finds NASA Missed Opportunity to Leverage Expertise and Resources**

The OIG conducted a review of NASA's plan to build a new rocket propulsion test facility. We initiated this review in response to a complaint forwarded to the NASA OIG from the GAO, alleging that NASA's planned rocket propulsion test facility at Stennis Space Center (Stennis) would duplicate the capabilities found at the Air Force's Arnold Engineering Development Center (AEDC) in Tennessee.

We found that the test stand NASA intends to build at Stennis would not duplicate existing capabilities found at AEDC. We also found that NASA's Upper Stage Engine Element Manager, located at Marshall, reviewed the J-2X rocket propulsion testing

options and selected the A-3 test stand to be built at Stennis without the required formal reviews or recommendations of the National Rocket Propulsion Test Alliance (NRPTA) or NASA's Rocket Propulsion Test Management Board (RPTMB). This occurred because NASA did not appropriately engage the NRPTA as required by the NRPTA Memorandum of Agreement (MOA). The NRPTA MOA and the RPTMB Operating Procedures require member reviews and recommendations prior to major test facility investments or modifications.

We recommended that NASA (1) issue a NASA Policy Directive (and NASA Procedural Requirements, if applicable) detailing the requirement for NASA's rocket propulsion test organizations to request formal reviews and recommendations from the RPTMB and, as appropriate, the NRPTA, in accordance with the RPTMB and NRPTA guidelines, and (2) take advantage of the technical expertise available in the rocket propulsion test community and request an independent review and assessment of the technical and cost risks associated with the planned A-3 test stand in order to develop a comprehensive risk mitigation strategy. NASA concurred with our recommendations and will request that an independent review be completed by November 30, 2008.

*Final Memorandum on the Review of NASA's Plan to Build the A-3 Facility for Rocket Propulsion Testing (IG-08-021, July 8, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-021.pdf>

### **OIG Urges NASA to Ensure Best Value for the Agency**

OA auditors reviewed contract files, including modifications, for four International Space Station (ISS) contracts to evaluate whether the contracting officers effectively used cost and price analyses to ensure that NASA contracts and contract modifications were negotiated at fair and reasonable costs and prices. The auditors also reviewed contract files to determine whether they contained required documentation and whether the cost and price analyses that contracting officers used were completed, fully documented, and the best value for NASA.

We found that the contract files did not contain sufficient documentation to support the costs and prices negotiated and that the costs and prices did not always provide the best value for NASA. Our review of the four ISS contract files showed that 17 out of 35 modifications, some consisting of several negotiated contract actions, had sufficient documentation for us to verify NASA's position on rates used. However, we were unable to obtain sufficient documentation for 18 of the 35 modifications. This incomplete documentation prevented us from verifying NASA's position for some or all of the rates for line items, such as labor, general and administrative expenses, business support, and labor overhead, within the contract modifications reviewed. In addition, for 9 of the 35 modifications, we found that NASA did not always substantiate, as required by the FAR, the use of a higher rate than proposed by the contractor or a different rate than recommended by the Defense Contract Management Agency.

The ISS Procurement Office took action to address our concerns during the audit and also held a procurement staff meeting in response to our recommendation to reinforce requirements for developing and documenting independent Government cost estimates, when required, and reinforce compliance with documentation requirements of the FAR.

*Final Memorandum on Audit of International Space Station Contracts Government Cost and Price Analyses (IG-08-024, July 31, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-024.pdf>

## **OIG Identifies Potential Monetary Benefit in Contract Consolidation**

The Office of Audits evaluated NASA's management of the test operations contract (TOC) for rocket propulsion systems and components at Marshall and Stennis. The overall objective of this audit was to determine whether NASA had effectively assessed test operations contract requirements and used a valid cost-benefit analysis in determining which test sites to include in the TOC.

We found that NASA had adequately defined test operations requirements at contract award to protect against "out of scope" or otherwise unnecessary cost growth. We also found that Government surveillance and contractor performance evaluations were providing reasonable assurance that efficient methods and effective cost controls are used. However, the auditors concluded that NASA had not performed sufficient analysis to justify separate contracts for test operations at the White Sands Test Facility (WSTF) and Plum Brook Station (PBS). Specifically, NASA had not conducted a cost-benefit analysis to support its decision to consolidate Stennis and Marshall test operations under the TOC while excluding test operations at WSTF and PBS.

We recommended that management conduct a cost-benefit analysis to determine whether it is feasible and financially prudent to further consolidate NASA's rocket propulsion test contracts. In response to our recommendation, the Rocket Propulsion Test Program Manager stated that his office will conduct the cost-benefit analysis and, based on the results and other decision criteria, recommend an overall TOC procurement strategy. The analysis may reveal options that could allow NASA to avoid costs in contract services and management oversight.

*Final Memorandum on the Audit of NASA's Management of the Test Operations Contract (IG-08-019, May 9, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-019.pdf>

## **NASA Ensures Proper Contractor Payment**

During an audit of NASA's implementation of Defense Contract Audit Agency (DCAA) audit recommendations during the administration of cost-reimbursable procurement actions, we found that DCAA's incurred cost audit reports may have overstated a contractor's cumulative allowable costs and could have resulted in NASA overpaying

the contractor. We recommended that the Johnson Space Center's Office of Procurement perform a review to validate our finding and, if valid, initiate recovery of the amount overpaid. In response, the Agency provided additional documentation from DCAA that clarified the cumulative totals for FYs 2001 through 2003 and showed that the contractor had not received an overpayment. We reviewed the additional documentation and agreed that no overpayment was made.

*Final Memorandum Regarding Potential Overpayment to Contractor (IG-08-028, August 28, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-028-summary.pdf>

### **Company Agrees to Pay \$15 Million to Resolve Fraud Allegations**

A joint investigation conducted by the NASA OIG, the U.S. Army Criminal Investigation Command, and Department of Defense (DoD) revealed that companies in the carbon fiber industry conspired to divide market territories and fix prices in the carbon fiber and prepreg global markets, in violation of the Antitrust Laws of the U.S. Government under the Sherman Act. The investigation revealed that a Japanese-based company, which controlled 70 percent of the global market for carbon fiber and prepreg, sold these products to many of the U.S. Government's prime contractors, who then used them in the programs contracted by DoD, the U.S. Navy, the U.S. Air Force, and NASA.

In May 2008, after months of negotiation, the company denied any wrongdoing related to the Antitrust Laws and False Claims Act but agreed to a civil settlement and pay the U.S. Government \$15 million in order to resolve fraud allegations.

### **Former NASA Project Manager Violates Conflict of Interest Law**

A former NASA project manager at Johnson Space Center was charged and pled guilty to violating a conflict of interest law. A NASA OIG investigation revealed that two NASA project managers had participated in NASA contracting decisions related to a company in which both knew they had a financial interest.

*First conviction previously reported March 31, 2008, page 23.*

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## *Information Technology*

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NASA's IT leadership continues to address many of the IT security and management control issues the OIG has raised in past audits, evaluations, and investigations. During this semiannual 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 Enhance Internal Controls for Information Technology**

This annual report, submitted as a memorandum from the Inspector General to the NASA Administrator, provides OMB with our independent assessment of NASA's IT security posture. For FY 2008, our audit included a review of 39 non-national security Agency systems and 6 non-national security external systems. We also reviewed specific actions that the Agency took to improve IT security. Progress made included closure of 91 percent of recommendations to improve IT security made by the Office of Inspector General in FYs 2005 through 2007, establishment of the IT Security Program Management Office, revisions to the incident management program that included implementation plans for the Security Operations Center, establishment of the Cyber Threat Analysis Program, and improvements to the Agency's compliance with Federal Information Security Management Act (FISMA) requirements.

Based on the work we performed, we agreed with the NASA Office of the Chief Information Officer's recommendation that the internal control structure for IT security is no longer a material weakness. However, while there is improvement in internal controls through establishment of management programs and processes, we have not determined the effectiveness of these controls in reducing IT security threats. Whether management programs and processes can effectively demonstrate results can only be determined over time.

*Federal Information Security Management Act: Fiscal Year 2008 Report from the Office of Inspector General (IG-08-031, September 30, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-031-summary.pdf>

### **Nigerian National Convicted after NASA Detects Intrusion**

In December 2006, the NASA OIG was informed of an intrusion of a NASA Headquarters computer system. This intrusion was detected by NASA Headquarters IT Security after the system was observed sending thousands of screenshots, as well as keylogger files, to a server located in Texas. NASA Headquarters IT Security advised that malicious software (malware) was installed after an authorized NASA user opened a malicious file attached to an e-mail. The OIG investigation revealed that the malware was sent by a Nigerian national. The Nigerian Economic and Financial Crime Commission was contacted and agreed to assist with the investigation, which resulted in the Nigerian authorities identifying and arresting the subject. On April 16, 2008, the subject was convicted on one count each of forgery and obtaining goods by false

pretenses, both violations of Nigerian law. He is currently serving an 18-month prison sentence at the Kirikiri maximum security prison in Lagos, Nigeria.

### **IT Misuse Results in Administrative Actions**

Through proactive efforts and reports received from NASA management, OI's Computer Crimes Division conducted a number of investigations focusing on the misuse of NASA information technology resources. These investigations resulted in administrative actions against five NASA employees. Three employees received suspensions and two employees resigned.

### **Former NASA Employee Sentenced in Pornography Case**

On July 7, 2008, a former NASA aerospace engineer was sentenced to 60 months' confinement and a fine of \$25,000 after pleading guilty to one charge of violating Title 18, United States Code, Section 2257(a)(4)(B), "Possession of Matters Containing Any Visual Depiction of a Minor Engaging in Sexually Explicit Conduct." Upon release, the former employee will be subject to 7 years of supervised release and must register with the State of California as a sex offender.

*Guilty plea previously reported March 31, 2008, page 18.*

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## *Other Audit and Investigative Matters*

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### **NASA Marginalized Research Disseminated to the Public**

During this reporting period, OI released a summary report of investigation into allegations that NASA had suppressed climate change research and denied media access to Dr. James E. Hansen, a NASA scientist. The investigation was undertaken in response to a request from 14 U.S. Senators. The investigation found that "during the fall of 2004 through early 2006, the NASA Headquarters Office of Public Affairs managed the topic of climate change in a manner that reduced, marginalized, or mischaracterized climate change science made available to the general public."

*Investigative Summary Regarding Allegations that NASA Suppressed Climate Change Science and Denied Media Access to Dr. James E. Hansen, a NASA Scientist (June 2, 2008)*  
[http://oig.nasa.gov/investigations/OI\\_STI\\_Summary.pdf](http://oig.nasa.gov/investigations/OI_STI_Summary.pdf)

### **NASA Enhances Process for Reviewing Scientific and Technical Information**

In response to a hotline complaint, OA initiated an audit regarding the review, approval, and release of scientific and technical information (STI) at Johnson Space Center. In response to the request from Congress to investigate allegations that NASA was suppressing the release of scientific research and censoring its scientists, OA expanded the audit's scope to determine whether the STI review process was used as

a means to suppress the release of scientific research at Goddard, Johnson, Langley, and Marshall.

The auditors found no evidence that the STI review process was used as a means to suppress scientific research at the Centers we reviewed. Concerning the STI process, we found that although the roles and responsibilities for reviewing and approving STI were adequately defined and documented in NASA guidance, the guidance was not adequately implemented at the four Centers we reviewed. In addition, the ability of the STI Program Office to monitor the effectiveness of the STI review process could be improved if the process was automated Agency-wide.

NASA management concurred with our recommendations concerning the implementation and awareness of guidance and described appropriate corrective actions.

*Actions Needed to Ensure Scientific and Technical Information Is Adequately Reviewed at Goddard Space Flight Center, Johnson Space Center, Langley Research Center, and Marshall Space Flight Center (IG-08-017, June 2, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-017.pdf>

*Addendum to Final Report (IG-08-017-a, July 16, 2008)*

<http://oig.nasa.gov/audits/reports/FY08/IG-08-017-a.pdf>

## **NASA Continues Its Commitment to Improve Controls over Sensitive Technologies as Recommended by the OIG**

In our annual assessment report to Congress, we summarized the OIG-issued products that directly or indirectly related to identifying and 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 and regulations, which could place NASA's export-controlled technologies and data at risk of being stolen or compromised.

As stated in the assessment report, OI 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 conducting several computer intrusion investigations involving NASA systems containing technical data that are potentially at risk of unlawful access. This work includes a multi-agency investigation involving Romanian computer hackers. During the year, OI and OA also reported on issues concerning the review and release of scientific and technical information, which led to NASA's initiative to improve compliance with the review process. In all of these investigations and audits, the OIG continues to work with the Agency's senior leadership to rectify system weaknesses that allow network intrusions by outsiders and unauthorized disclosures of information by NASA civilian and contract employees. We also continue to work closely with NASA management to identify and

reduce the associated risks with the illegal transfer or theft 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-08-022, July 22, 2008)*  
<http://oig.nasa.gov/audits/reports/FY08/IG-08-022.pdf>

### **NAS OIG Reviews Audit Organization, Department of the Interior OIG**

The OIG conducted a review of the Department of the Interior's Office of the Inspector General Audit Organization in accordance with the standards and guidelines established by the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency.

*External Quality Control Review of the Department of the Interior Office of the Inspector General Audit Organization (August 8, 2008)*

### **Contract Employees Indicted**

Four contract employees were indicted for fraudulently receiving per diem expenses of \$347,664.93 under their employment contracts with a NASA contractor. The indictment charges that the individuals each falsely listed permanent addresses more than 50 miles from the NASA facility at Plum Brook Station, Ohio, in order to receive payments of between \$65 and \$75 per day when, in fact, each individual had established and maintained a permanent residence less than 50 miles from the facility.

### **NASA Contract Employee Convicted and Sentenced**

A former NASA contract employee pled guilty to felony theft of titanium valued in excess of \$300,000. The employee was sentenced to serve 6 months' home detention and 36 months' probation and ordered to pay a \$1,000 fine. The titanium was recovered during an OI investigation at Kennedy Space Center.

### **Former Cashier Guilty**

A former NASA Exchange cashier was arrested and charged in state court with theft related to the embezzlement of theme park tickets and cash from the Kennedy Space Center Exchange. The former cashier entered into a deferred prosecution agreement with the state, whereby she will serve 24 months' probation, submit to random drug testing, maintain legal employment, perform 50 hours of community service, pay a \$250 fine, and pay \$6,658.68 in restitution to the NASA Exchange.

### **Former Food Service Contract Employee Indicted**

A joint investigation by OI and a local Sheriff's Department resulted in a former NASA contract employee's indictment by the State of Ohio for theft. The investigation found that the employee, who had been entrusted by NASA's Food Service Contractor with depositing cash receipts, had stolen more than \$4,000 over several months. The cash receipts were generated from sales at the Glenn Research Center cafeteria.

### **Food Service Manager Convicted and Sentenced**

A former Food Service Manager pled guilty to embezzling the proceeds from cafeteria operations at Marshall Space Flight Center. The Manager was sentenced to serve 5 years' probation and ordered to pay \$9,175 in restitution.

*Indictment previously reported March 31, 2008, page 25.*

### **NASA Contract Employee Sentenced**

A former NASA contract employee was charged in state court with felony theft related to his misuse of a General Services Administration (GSA) fueling card. The investigation showed the Kennedy Space Center contract employee used a GSA card to refuel non-Government automobiles. The former employee made voluntary restitution in the amount of \$3,801. The employee pled guilty to the theft and was sentenced to serve 12 months' probation and pay \$250 in court costs.

### **Former Contract Security Guard Indicted and Convicted**

A joint investigation with the U.S. Park Police resulted in the Federal indictment and conviction of a former NASA contract security guard for falsely representing himself as a Federal police officer. The investigation showed that the former security guard misrepresented himself as a police officer to a commercial badge vendor and acquired a badge identifying him as "NASA Police," an entity that does not exist. This individual then used the badge to falsely identify himself as an official Federal police officer in the community and at Goddard Space Flight Center.

### **Security Guard Charged in Bomb Threat**

A former NASA contract security guard was charged with and pled guilty to a criminal indictment for making bomb threats related to a NASA Center.

### **Firearms Possession at Michoud**

A NASA subcontract employee entered a 12-month pre-trial diversion program for possessing a firearm within the Michoud Assembly Facility.

### **Former Contract Employee Charged**

A former contract employee was charged in state court with falsely claiming to hold a Master of Business Administration degree with the intent to obtain employment with a NASA contractor at Johnson Space Center.

### **OIG Finds Trips of Former Administrator Noncompliant with NASA Regulations**

During this reporting period, OI submitted a management referral to the NASA Chief Financial Officer concerning an investigation into the use of Mission Management Aircraft by a former NASA Administrator. Based on the investigation's finding that two trips taken by the former Administrator appeared to not comply with then-existing NASA regulations governing the use of the aircraft, the referral was made to NASA management for possible collection of funds from the former Administrator under the Federal Claims Collection Act. NASA responded to this referral with its decision not to pursue any actions in this matter.

*Results of Mission Management Aircraft Investigation (May 29, 2008)*

[http://oig.nasa.gov/investigations/MMA\\_Final\\_Referral\\_on-lh.pdf](http://oig.nasa.gov/investigations/MMA_Final_Referral_on-lh.pdf)

*NASA Response to Results of Mission Management Aircraft Investigation (June 16, 2008)*

[http://oig.nasa.gov/investigations/Agency\\_Response\\_MMA.pdf](http://oig.nasa.gov/investigations/Agency_Response_MMA.pdf)

*OIG Response to Results of Mission Management Aircraft Investigation (June 24, 2008)*

[http://oig.nasa.gov/investigations/MMA\\_Reply\\_on-lh.pdf](http://oig.nasa.gov/investigations/MMA_Reply_on-lh.pdf)

### **OIG Urges NASA to Emphasize Need to Safeguard Laptop Computers**

OI issued a memorandum to the NASA Chief Information Officer recommending that steps be taken to refocus NASA and contractor employees on the importance of safeguarding their assigned computers and peripherals. The memorandum was the result of the high volume of matters concerning lost or stolen laptops that came to the attention of the OIG during the preceding year. As a result of this memorandum, a NASA-wide communication was sent by the Assistant Administrator for Internal Controls and Management Systems on May 19, 2008, that highlighted employee responsibilities with respect to safeguarding laptop computers.

*Lost and Stolen Laptop Computers (April 28, 2008)*

[http://oig.nasa.gov/Laptop\\_Ltr.pdf](http://oig.nasa.gov/Laptop_Ltr.pdf)

*Agency Efforts to Mitigate Lost and Stolen Laptop Computers (June 4, 2008)*

[http://oig.nasa.gov/investigations/Laptop\\_Ltr\\_Response.pdf](http://oig.nasa.gov/investigations/Laptop_Ltr_Response.pdf)

## **Helicopter Misuse Leads to Revision in Flight Aircraft Procedures and Policies**

The OI submitted a management referral to the Deputy Director, Kennedy Space Center, concerning the misuse of a NASA-owned helicopter after an investigation found that, in violation of NASA procedural requirements, a passenger was taken in the helicopter for a tour of Kennedy. The Deputy Director concurred with the findings and agreed to revise the process for flight approval to include that all flights must be approved by Kennedy's Chief of Flight Operations/Aircraft Manager 24 hours in advance of the flight. In addition, all Kennedy security contractor pilots were reminded of their responsibilities for the proper use of aircraft. Finally, the OIG was advised that any actions regarding the contractor would be addressed as an award-fee issue.

## **NASA Scientist Misuses Position**

The OIG received a hotline complaint alleging that a NASA scientist sent written objections (using NASA stationery) to a private-sector book publisher, regarding the scientific content in one of the publisher's textbooks. OI's examination of the matter revealed that the communication did occur and that the NASA scientist was not speaking on behalf of NASA or the U.S. Government. We also confirmed that the letter's introduction and signature included the scientist's position and title in a manner that was inconsistent with Executive Branch Standards of Conduct Regulations. The OIG referred this matter to the Associate Administrator for the Science Mission Directorate (SMD) and requested that appropriate action be taken to address the misuse of NASA stationery and the potential misperception on the part of the publisher that the views expressed in the letter were official NASA opinions. SMD concurred with our findings. The scientist was counseled, and SMD agreed to write a clarification letter to the publisher.

## LEGAL MATTERS

### **OIG Supports the Acquisition Integrity Program**

The IG's Office of Counsel participated in the NASA Acquisition Integrity Program (AIP) Tier 2 training. The second of three tiers of training for the AIP, Tier 2 consisted of 3 days of training designed to train Agency attorneys who are points of contact to the OIG within AIP. The Counsel to the IG provided training to the NASA attorneys on fraud indicators in the procurement process. OI assisted by informing the audience of the investigative process and by illustrating the sessions with NASA cases. Another purpose of Tier 2 is that some of the attorneys will convey the training to their Center procurement personnel.

### **OIG Legal Staff Supports Federal Law Enforcement Training**

The OIG legal staff contributed to the Federal Law Enforcement Legal Advisors Conference on Information Law at the Bolger Center, Potomac, Maryland, on September 3 and 4, 2008. The conference was sponsored jointly by the Federal Law Enforcement Training Center, the Federal Bureau of Investigation Academy, and the Drug Enforcement Administration Academy. We moderated a panel on various OIG information issues, including privacy and FOIA issues associated with investigative records, as well as issues associated with the sharing of information on joint cases, particularly with state and local law enforcement entities.

### **OIG Legal Intranet**

We finished a complete rewrite of the IG's Office of Counsel Web pages on the OIG intranet, providing our OIG clients with useful information about the OIG legal staff, a new page of ethics resources, a page of legal research links, advice on how to handle Freedom of Information and Privacy Act requests, as well as information on training provided by the legal staff.

## REGULATORY REVIEW

During this reporting period, the OIG reviewed and commented on 30 directives and regulations, including 2 that were withdrawn. Of the directives we reviewed, the following were of particular significance to the OIG.

### **FAR Case 2007-006**

We provided additional comments in support of FAR case 2007-006, which would require contractor reporting of misconduct on Government contracts. The proposal was modified to include reports of civil fraud violations, and violations occurring outside the United States. We are supportive of the modifications.

### **Agency Risk Management Procedural Requirements**

We submitted a number of comments on the draft of NASA Procedural Requirements (NPR) 8000.4A, “Agency Risk Management Procedural Requirements,” including that the NPR be modified to explicitly permit elevation of issues beyond the “next higher level” if circumstances suggest that attention at higher levels of management is immediately warranted or if the next higher level is not properly managing a risk that had been raised to that level. Likewise, the addition of references to other reporting outlets, such as the NASA Safety Reporting System or the OIG Hotline, would reduce the risk of important safety issues being overlooked.

### **Safety and Mission Assurance Policy**

Draft NASA Policy Directive (NPD) 8700.3B, “Safety and Mission Assurance (SMA) Policy for NASA Spacecraft, Instruments, and Launch Services,” excludes a subset of launch services missions from the requirement to conduct periodic audits. Audits involving safety critical elements should not be dismissed, especially when the lives of NASA personnel and crew, as well as the public, and the successful completion of mission objectives are so dependent upon the quality of these critical launch systems. In cases where periodic audits are not required, the NPR should describe acceptable alternatives to ensure risks have been properly analyzed and, if necessary, mitigated.

### **Headquarters Continuity of Operations Plan**

The purpose of the Headquarters Continuity of Operations Plan (draft Headquarters Procedural Requirements 1040.1) is “to provide NASA Headquarters the means to continue Mission Essential Functions and provide for succession of leadership in response to a threat, attack, or emergency event.” We concurred with the draft, but commented that it did not include the OIG. We submitted a similar comment on draft 1 of NASA Headquarters “Emergency Preparedness Plan (EPP)” (HPR 8710.1).

## SIGNIFICANT OUTREACH ACTIVITIES

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

- On April 23, 2008, a representative from the Procurement Directorate provided audit programs and other supporting documentation to the Federal Election Commission's OIG, as requested, for use in conducting audits of procurement and contract management functions.
- On May 7, 2008, the Director of the Mission Programs and Projects Directorate briefed the GAO audit team tasked by Congress to evaluate the NAOMS methodology on the results of our review of NAOMS.
- On July 8, 2008, a representative from the Human Capital and Institutional Management Directorate acted as chair for a PCIE Award panel that reviewed nominations from the OIG community for the annual PCIE awards ceremony.
- On July 23, 2008, the Director of the Special Projects and Quality Assurance Directorate briefed representatives from the National Geospatial-Intelligence Agency's OIG on the OA Central Information System used to manage audit assignments. The Director also briefed representatives on the benefits of using a standard electronic library to ensure that work is consistent with government auditing standards.
- On August 14, 2008, OA's Mission Programs and Projects Director and staff from the Department of Transportation OIG briefed congressional staff members on NASA's efforts to support the Joint Planning and Development Office in the development of the Next Generation Air Transportation System.
- On September 3, 2008, NASA OIG audit leadership met with GAO representatives to discuss the plans for audit coverage of NASA in FY 2009. The meeting continued our efforts to coordinate our work with GAO's to ensure adequate coverage of high-risk areas and to avoid duplication of efforts.
- On September 3, 2008, the NASA Inspector General and his IT Services Director briefed the PCIE IT Roundtable on developing and implementing management information systems and leveraging shared IT resources for other PCIE/Executive Council on Integrity and Efficiency OIGs. The Director provided an overview of NASA OIG's hosting of two external customer applications on a reimbursable basis: the Special Inspector General for Iraq Reconstruction investigative case management system and the Veterans Affairs OIG electronic workpaper management system.

- Throughout this semiannual reporting period, the Director of OA's Procurement Directorate attended meetings of the Federal Audit Executive Council (FAEC) Contract Committee. He participated in survey development and results analysis to determine and prioritize Committee projects to support cross-agency contract audit functions and processes. On September 17, 2008, he was appointed the Training Subcommittee Chairperson for development and promulgation of FAEC contract auditor training. He is also participating in the development of standard FAEC audit templates for award-fee and performance-based contract audits.

## AWARDS

### **OIG Employee Recognized**

On April 24, 2008, the U.S. Attorney for the Southern District of Texas recognized the exemplary work of Special Agent Michael Mataya in the case of the United States versus Lithium Power Technologies (LPT). LPT made false statements to the United States and engaged in a pattern of fraudulent conduct to improperly obtain payments from the United States under Government-funded research contracts awarded by NASA, the U.S. Army, and the U.S. Air Force. LPT did not make proper disclosures, submitted similar research proposals to different Federal agencies, and billed those agencies for the same work and research. The company also billed the agencies for work not performed and manipulated timesheets and research logs in order to bill the agencies for time spent on commercial contracts. Special Agent Mataya's exceptional performance during the investigation was instrumental in securing a \$5 million judgment for the United States.

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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	27
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	7–25
Section 5(a)(2)	Recommendations for Corrective Actions	7–25
Section 5(a)(3)	Prior Significant Audit Recommendations Yet To Be Implemented	38
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	42
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
Section 5(a)(7)	Summary of Significant Audit and Investigations	7–25
Section 5(a)(8)	Total Number of Reports and Total Dollar Value for Audits with Questioned Costs	None
Section 5(a)(9)	Total Number of Reports and Total Dollar Value for Audits with Recommendations that Funds Be Put to Better Use	40
Section 5(a)(10)	Summary of Prior Audit Products for which No Management Decision Has Been Made	None
Section 5(a)(11)	Description and Explanation of Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions with which the Inspector General Disagreed	None
Section 5(a)(13)	Reporting in Accordance with Section 05(b) of the Federal Financial Management Improvement Act of 1996 Remediation Plan	13

## Appendix B. Statistical Information

During the period April 1 through September 30, 2008, the Office of Audits issued 24 products and 2 addendums.

**Table 1: Audit Products and Impact**

REPORT NO./ DATE ISSUED	TITLE	IMPACT
<b>Audit Area: Space Operations and Exploration (Transition)</b>		
<b>IG-08-018</b> 4/28/08	Final Memorandum on the Standing Review Board for the Orion Crew Exploration Vehicle Project	Improvements in defining purpose, roles, and responsibilities of NASA's SRBs, and particularly addressing conflict of interest and independence issues on the Orion SRB.
<b>n/a</b> 7/29/08	Audit of NASA's Pre-Acquisition Planning for the Constellation Space Suit System	NASA meets key pre-acquisition planning requirements for CSSS.
<b>IG-08-030</b> 9/18/08	Cost Estimates Used to Support the Fiscal Year 2008 Budget Request for NASA's Constellation Program Could Have Been Better Documented	Budgeting process improved by adoption of GAO standards.
<b>Audit Area: Safety (Managing Risk)</b>		
<b>IG-08-014-a</b> 5/9/08	Addendum to Final Memorandum on the Review of the National Aviation Operations Monitoring Service	National Research Council and GAO to analyze NAOMS methodology and data.
<b>IG-08-025</b> 9/19/08	[A NASA] Center's Security Program Needed Improvement	Improved security at a NASA Center and increased awareness of security posture throughout NASA.
<b>IG-08-027</b> 9/3/08	Glenn Research Center Needs to Better Define Roles and Responsibilities for Emergency Response	Increased effectiveness of Glenn's emergency response system.
<b>IG-08-029</b> 9/5/08	Final Memorandum on the Review of Rocket Segment Handling	Improved procedures for rocket refurbishment established by contractor.
<b>Audit Area: Financial Management</b>		
<b>IG-08-032</b> 9/25/08	Final Memorandum on NASA's Development of the Integrated Asset Management – Property, Plant, and Equipment Module to Provide Identified Benefits	Property management improved with use of the IAM/PP&E module.
<b>Audit Area: Acquisition and Contracting</b>		
<b>IG-08-019</b> 5/9/08	Final Memorandum on the Audit of NASA's Management of the Test Operations Contract	Cost-benefit analysis of contract consolidation options may allow NASA to avoid costs in contract services and management oversight.

**Table 1: Audit Products and Impact (continued)**

REPORT NO./ DATE ISSUED	TITLE	IMPACT
<b>Audit Area: Acquisition and Contracting (continued)</b>		
<b>IG-08-021</b> 7/8/08	Final Memorandum on the Review of NASA's Plan to Build the A-3 Facility for Rocket Propulsion Testing	NASA to obtain an independent review of proposed test facility to ensure technical and cost risks are identified and mitigated.
<b>IG-08-024</b> 7/31/08	Final Memorandum on Audit of International Space Station Contracts Government Cost and Price Analyses	Contracting officers work toward better documentation of costs and prices negotiated for ISS contracts to ensure best value for NASA.
<b>IG-08-028</b> 8/28/08	Final Memorandum Regarding Potential Overpayment to Contractor	Johnson's Office of Procurement ensures proper contractor payment.
<b>Audit Area: Information Technology</b>		
<b>IG-08-031</b> 9/30/08	Federal Information Security Management Act: Fiscal Year 2008 Report from the Office of Inspector General	Improvements in internal controls for IT security through the establishment of management programs and processes.
<b>Audit Area: Other</b>		
<b>IG-08-017</b> 6/2/08	Actions Needed to Ensure Scientific and Technical Information Is Adequately Reviewed at Goddard Space Flight Center, Johnson Space Center, Langley Research Center, and Marshall Space Flight Center	Improved awareness and processes to ensure that authors obtain appropriate review of scientific and technical information before release.
<b>IG-08-017-a</b> 7/16/08	Addendum	
<b>IG-08-022</b> 7/22/08	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 commitment to improving controls over sensitive technologies.
<b>Audit Area: Quality Control Reviews</b>		
<b>IG-08-020</b> 6/13/08	Quality Control Review of the House & Albright P.C. Audit of the Marshall Space Flight Center Exchange Financial Statements for Fiscal Year Ended September 30, 2007	Corrective actions to ensure compliance with generally accepted government audit standards.
<b>IG-08-023</b> 7/28/08	Quality Control Review of the L.F. Harris & Associates, CPA, P.A. Audit of the Kennedy Space Center Exchange Financial Statements for Fiscal Year Ended September 30, 2007	Corrective actions to ensure compliance with Department of the Treasury regulations and generally accepted government auditing standards.
<b>IG-08-026</b> 9/2/08	Quality Control Review of PricewaterhouseCoopers, LLP, Office of Management and Budget Circular A-133 Audit of The University of Alabama in Huntsville for the Fiscal Year Ended September 30, 2006	Corrective actions to ensure compliance with generally accepted government auditing standards and OMB Circular A-133.

**Table 1: Audit Products and Impact (continued)**

REPORT NO./ DATE ISSUED	TITLE	IMPACT
<b>Audit Area: Initial Reviews</b>		
<b>ML-08-005</b> 4/18/08	Initial Review of Rogers & Company PLLC Audit Report on the KISS Institute for Practical Robotics Fiscal Year Ended August 31, 2006	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133.
<b>ML-08-006</b> 4/23/08	Initial Review of Peter Schilz & Co. Audit Report on Earth & Space Research for the Fiscal Year Ended June 30, 2006	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133.
<b>ML-08-007</b> 4/23/08	Initial Review of West & Company CPAs PC Audit Report on Clinton-Essex-Warren-Washington Counties Board of Cooperative Educational Services for the Fiscal Year Ended June 30, 2007	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133.
<b>ML-08-008</b> 6/11/08	Initial Review of CDPA, PC Audit Report on North Alabama Science Center, Inc. for the Fiscal Year Ended December 31, 2006	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133.
<b>ML-08-009</b> 6/11/08	Initial Review of McGregor & Company, LLP, Audit Report on Orangeburg Consolidated School District Four for the Fiscal Year Ended June 30, 2007	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133.
<b>ML-08-010</b> 8/5/08	Initial Review of McGladrey & Pullen, LLP, Audit Report on the Friends of the North Carolina State Museum of Natural Sciences for the Fiscal Year Ended June 30, 2007	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133.
<b>ML-08-011</b> 8/7/08	Initial Review of Ciuni and Panichi, Inc., Audit Report on the Lorain County Joint Vocational School District for the Fiscal Year Ended June 30, 2007	Ensure compliance with generally accepted government auditing standards and OMB Circular A-133.

During this reporting period, April 1 through September 30, 2008, the OA reviewed 7 allegations it received as referrals or inquiries that were either unsubstantiated, without merit, or overcome by events and did not result in an audit report.

**Table 2: Allegations Unsubstantiated or Without Merit**

DATE CLOSED	ALLEGATION	CONCLUSION
7/7/08	Alleged solicitation procedures avoid the fair bidding process.	Concerns were overtaken by events, as management took appropriate action to issue a new solicitation.
7/31/08	Oversight of NASA contractors failing to provide proper requirement definitions to its subcontractors.	Expectation to have specifications for hardware, which is still in the design process, appeared to be unreasonable.
7/31/08	Contract inappropriately awarded to a contractor that did not meet the criteria of the annual receipt limitation for a small business award.	Contract was appropriately awarded to a certified small business that met the exception criteria of the annual receipt limitation.
8/21/08	Potential safety concerns for the Space Shuttle's Reinforced Carbon Carbon panels.	Concerns were overtaken by events, as management took appropriate action to exchange the panels with spares.
8/21/08	Lockheed Martin Space Systems contract modification for employee retention plan appeared questionable.	Business and technical factors considered in NASA's decision to provide incentives to retain the contractor's external tank workforce were adequate.
9/5/08	Research and development funds being used to duplicate research grants being awarded for the same project.	A small business innovative research contract and grant were awarded for different projects and funding used was appropriate in accordance with Federal regulations.
9/12/08	Intimidation and unfair practices in the proposal application process for minority universities.	We found no evidence to substantiate the anonymous complainant's allegations of limitations in the application process that warranted further review.

**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	
<b>NEW SINCE LAST REPORTING PERIOD</b>					
<b>Audit Area: Space Operations and Exploration (Transition)</b>					
<b>IG-07-013-a</b> 2/19/2008	Addendum to Final Memorandum on Marshall Space Flight Center's Approach to Establishing Product Data Management and Mechanical Computer-Aided Design Software Tools as Standard Center-Wide (IG-07-013, July 24, 2007)	2/19/2008	1	2	1/29/2010
<b>Audit Area: Safety (Managing Risk)</b>					
<b>IG-08-014</b> 3/31/2008	National Aviation Operations Monitoring Service	3/31/2008	1	2	6/30/2009
<b>Audit Area: Financial Management</b>					
<b>IG-08-005</b> 12/11/2007	NASA's Accounting for Capitalized Real Property Designated as Inactive	12/11/2007	4	0	9/30/2009
<b>IG-08-004</b> 12/11/2007	NASA's Accounting for Real Property Leased to Other Entities	12/11/2007	4	0	9/30/2009
<b>IG-08-002</b> 11/26/2007	Ernst & Young Final Report on Information Technology Findings and Recommendations in Connection with the Audit of NASA's FY 2007 Financial Statements	11/26/2007	4	3	12/31/2007 <sup>1</sup>
<b>IG-08-001</b> 11/15/2007	Audit of the National Aeronautics and Space Administration's Fiscal Year 2007 Financial Statements Performed by Ernst & Young LLP	11/15/2007	26	1	9/30/2016
<b>Audit Area: Acquisition and Contracting</b>					
<b>IG-08-016</b> 3/31/2008	NASA's Global Precipitation Measurement Project	3/31/2008	1	0	7/31/2008 <sup>2</sup>

<sup>1</sup> Although the Latest Target Closure Date has passed, the status of the open recommendations will be updated shortly after the report on NASA's FY 2008 financial statements is issued in November 2008.

<sup>2</sup> Management negotiations with a contractor are ongoing. Estimated closure date is December 1, 2008.

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

REPORT NO./ DATE ISSUED	TITLE	DATE RESOLVED	NUMBER OF RECOMMENDATIONS		LATEST TARGET CLOSURE DATE
			OPEN	CLOSED	
<b>REPORTED IN PREVIOUS SEMIANNUAL REPORTS</b>					
<b>Audit Area: Space Operations and Exploration (Transition)</b>					
<b>IG-07-005</b> 1/29/2007	NASA's Plan for Space Shuttle Transition Could Be Improved by Following Project Management Guidelines	5/7/2007	2	2	9/30/2008
<b>Audit Area: Financial Management</b>					
<b>IG-07-025</b> 8/14/2007	Audit of NASA's Compliance with Federal Internal Control Reporting Requirements	8/14/2007	5	3	1/31/2009
<b>IG-07-022</b> 7/20/2007	Internal Controls over NASA's Transit Subsidy Program at Headquarters and Goddard Space Flight Center Needed Improvement	7/20/2007	2	2	3/31/2009
<b>IG-07-019</b> 7/18/2007	NASA Could Improve Controls and Lower the Costs of the Intergovernmental Personnel Act Mobility Program	7/18/2007	6	2	12/31/2008
<b>ML-07-005</b> <sup>3</sup> 3/13/2007	Follow-Up Review of the Management of the Headquarters Exchange	3/13/2007	2	5	10/31/2008
<b>IG-07-007</b> <sup>4</sup> 11/29/2006	Information Technology Findings and Recommendations	11/29/2006	1	10	1/31/2008 <sup>5</sup>
<b>IG-07-004</b> <sup>6</sup> 11/9/2006	Audit of the National Aeronautics and Space Administration's Fiscal Year 2006 Financial Statements (Enclosure 2)	1/19/2007	6	13	10/31/2008
<b>IG-07-003</b> 11/21/2006	Governance of the Systems, Applications, and Products Version Update Project Needs Improvement	11/21/2006	3	3	9/30/2009
<b>n/a</b> <sup>7</sup> 1/28/2004	Audit of NASA's Fiscal Year 2003 Financial Statements	1/28/2004	3	15	12/31/2009
<b>Audit Area: Acquisition and Contracting</b>					
<b>IG-07-029</b> 9/18/2007	Audit of NASA Education and Training Grants	9/18/2007	1	2	8/29/2008 <sup>8</sup>

<sup>3,4,6,7</sup> This report was not included in the table in previous semiannual reports.

<sup>5</sup> Although the Latest Target Closure Date has passed, the status of the open recommendation will be updated shortly after the report on NASA's FY 2008 financial statements is issued in November 2008.

<sup>8</sup> The OIG is reviewing a request for an extension from management.

**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	
<b>Audit Area: Information Technology</b>					
<b>IG-07-024</b> 8/28/2007	NASA's Implementation of the Privacy Provisions of the Electronic Government Act	8/28/2007	1	1	5/30/2008 <sup>9</sup>
<b>IG-07-014</b> 6/19/2007	Controls over the Detection, Response, and Reporting of Network Security Incidents Needed Improvement at Four NASA Centers Reviewed	6/19/2007	4	4	5/31/2010
<b>IG-06-007</b> <sup>10</sup> 3/17/2006	NASA's Implementation of Patch Management Software Is Incomplete	3/17/2006	2	0	9/30/2009
<b>IG-05-025</b> 9/16/2005	NASA's Performance Measure Data Under the Federal Information Security Management Act	9/16/2005	1	4	9/30/2008 <sup>11</sup>
<b>IG-05-016</b> 5/12/2005	NASA's Information Technology Vulnerability Assessment Program	5/12/2005	1	3	9/30/2009
<b>Audit Area: Other</b>					
<b>IG-06-016</b> 8/29/2006	NASA's Implementation of the National Incident Management System	8/29/2006	1	5	11/30/2008
<b>IG-04-025</b> <sup>12</sup> 9/7/2004	NASA's Implementation of the Mission Critical Space System Personnel Reliability Program	9/7/2004	1	5	12/31/2008

<sup>9</sup> Management is preparing a request for an extension.

<sup>10,12</sup> This report was not included in the table in previous semiannual reports.

<sup>11</sup> The OIG is reviewing a request for an extension from management.

**Table 4: Audits with Funds Put to Better Use**

	NUMBER OF AUDIT REPORTS	TOTAL FUNDS PUT TO BETTER USE
No management decision made by beginning of period	0	0
Issued during period	0	0
Needing management decision during period	0	0
Management decision made during period	1	\$300,000 <sup>1</sup>
Amounts agreed to by management	1	\$300,000
Amounts not agreed to by management	0	0
No management decision at end of period	0	0
Less than 6 months old	0	0
More than 6 months old	0	0

<sup>1</sup> In our report, "Final Memorandum on Audit of NASA's Global Precipitation Measurement Project" (IG-08-016, March 31, 2008), we recommended that NASA conduct an independent assessment of a contractor's cost estimate for the Global Precipitation Measurement (GPM) Microwave Imager. During this semiannual reporting period, NASA conducted the independent assessment and determined that the contractor's proposal was excessive in the amount of \$300,000. However, because NASA is currently negotiating with the contractor, management has yet to determine the exact amount of funds put to better use.

**Table 5: Status of A-133<sup>1</sup> Findings and Questioned Costs Related to NASA Awards**

Total audits reviewed	5
Audits with recommendations	5
Total disallowed/questioned costs	\$38,641
Total disallowed/questioned costs recovered/sustained	0
Recommendations:	
Beginning balance	12
New recommendations	6
Recommendations dispositioned	0
Ending balance	18

<sup>1</sup> 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 6: Legal Activities and Reviews**

FOIA matters	19
Appeals	3
Inspector General subpoenas issued	40
Regulations reviewed, including 2 withdrawn	30

**Table 7: Investigations Activities****a. Complaint Intake Disposition**

SOURCE OF COMPLAINT	ZERO FILES <sup>1</sup>	ADMINISTRATIVE INVESTIGATIONS <sup>2</sup>	MANAGEMENT REFERRALS <sup>3</sup>	PRELIMINARY INVESTIGATIONS <sup>4</sup>	TOTAL
Hotline	61	16	16	7	100
All others	68	11	3	86	168
Total	129	27	19	93	268

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

<sup>2</sup> Administrative investigations include non-criminal matters initiated by OI as well as hotline complaints referred to OA.

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

<sup>4</sup> 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 <sup>1</sup>	26
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<sup>1</sup> Full investigations evolve from preliminary investigations that result in a reasonable belief that a violation of law has taken place.

**c. Cases Pending at End of Reporting Period**

Administrative investigations	46
Preliminary investigations	80
Full criminal/civil investigations	117
Total	243

**d. Qui Tam<sup>1</sup> Investigations**

Opened this reporting period	4
Pending at end of reporting period <sup>2</sup>	20

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

<sup>2</sup>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	42
Indictments/informations	17
Convictions/plea bargains	16
Sentencing/pre-trial diversions	15
Civil settlements/judgments	1
Court-ordered recoveries from criminal/civil cases <sup>1</sup>	\$15,478,237
NASA attributions	\$4,000,640

<sup>1</sup>Restitutions, fines, penalties, and settlements.

**f. Administrative Actions**

Case results referred to NASA management for disciplinary action <sup>1</sup>		32
Involving NASA employee(s)	17	
Involving contractor employee(s)	0	
Involving contractor firm(s)	14	
Other	1	
Administrative/disciplinary actions		22
Against NASA employee(s)	9	
Against contractor firm(s)	0	
Reported action taken by contractor against contractor employee	13	
Program recommendations made to NASA management		15
Cases referred to other agencies		8
Suspensions or debarments from Government contracting		0
Involving individuals	0	
Involving contractor firms	0	
Total administrative recoveries <sup>1</sup>		\$32,521
NASA attributions	\$32,521	
NASA property	0	

<sup>1</sup>May include administrative recoveries resulting from criminal or civil cases.

## Defense Contract Audit Agency Audits of NASA Contractors

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

### DCAA Audit Reports Issued

During this period, DCAA issued 360 audit reports on contractors who do business with NASA. Corrective actions taken in response to DCAA audit report recommendations usually result from negotiations between the contractors doing business with NASA and the Government contracting officer with cognizant responsibility (e.g., Defense Contract Management Agency and NASA). The cognizant agency responsible for administering the contract 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 8: DCAA Audit Reports with Questioned Costs and Recommendations that Funds Be Put to Better Use, and Amounts Agreed To<sup>1,2</sup>**

	AMOUNTS IN ISSUED REPORTS	AMOUNTS AGREED TO
Questioned costs	\$22,257,000	\$12,773,000
Funds be put to better use	\$166,955,000	\$113,634,000

<sup>1</sup>This data is provided to the NASA OIG by 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.

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

## C. Glossary and Acronyms

### *Glossary*

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**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 law suit 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.

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*Acronyms*

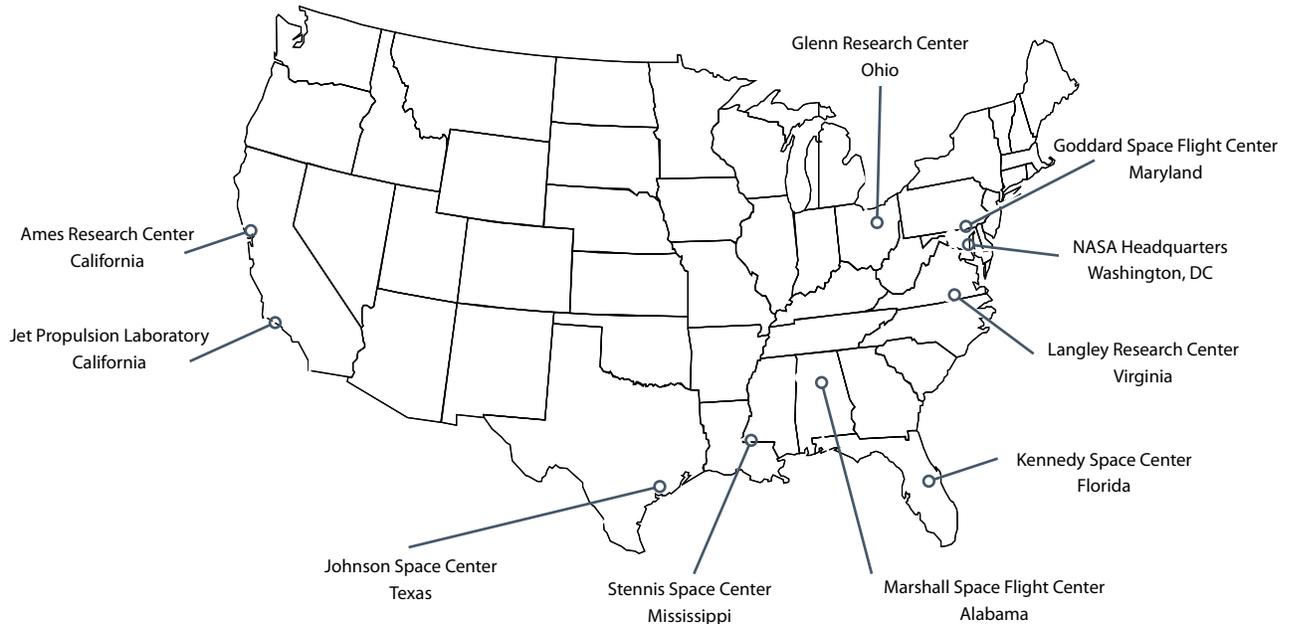
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<b>AEDC</b>	Arnold Engineering Development Center
<b>AIP</b>	Acquisition Integrity Program
<b>ARMED</b>	Aeronautics Research Mission Directorate
<b>ATK</b>	Alliant Techsystems, Inc.
<b>CAIB</b>	Columbia Accident Investigation Board
<b>CCS</b>	Comprehensive Compliance Strategy
<b>CMP</b>	Continuing Monitoring Program
<b>CSSS</b>	Constellation Space Suit System
<b>CxP</b>	Constellation Program
<b>DCAA</b>	Defense Contract Audit Agency

<b>DoD</b>	Department of Defense
<b>DOJ</b>	Department of Justice
<b>E&amp;Y</b>	Ernst & Young LLP
<b>EPP</b>	Emergency Preparedness Plan
<b>FACA</b>	Federal Advisory Committee Act
<b>FAEC</b>	Federal Audit Executive Council
<b>FAR</b>	Federal Acquisition Regulation
<b>FFMIA</b>	Federal Financial Management Improvement Act
<b>FISMA</b>	Federal Information Security Management Act
<b>FOIA</b>	Freedom of Information Act
<b>FY</b>	Fiscal Year
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GAO</b>	Government Accountability Office
<b>GSA</b>	General Services Administration
<b>IAM/PP&amp;E</b>	Integrated Asset Management – Property, Plant, and Equipment
<b>ICS</b>	Incident Command System
<b>IG</b>	Inspector General
<b>IPA</b>	Independent Public Accounting
<b>ISS</b>	International Space Station
<b>IT</b>	Information Technology
<b>LPT</b>	Lithium Power Technologies
<b>MOA</b>	Memorandum of Agreement

<b>MOU</b>	Memorandum of Understanding
<b>NAOMS</b>	National Aviation Operations Monitoring Service
<b>NASA</b>	National Aeronautics and Space Administration
<b>NPD</b>	NASA Policy Directive
<b>NPR</b>	NASA Procedural Requirements
<b>NRPTA</b>	National Rocket Propulsion Test Alliance
<b>OA</b>	Office of Audits
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OI</b>	Office of Investigations
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OMP</b>	Office of Management and Planning
<b>PBS</b>	Plum Brook Station
<b>PCIE</b>	President's Council on Integrity and Efficiency
<b>RFP</b>	Request for Proposal
<b>RPTMB</b>	Rocket Propulsion Test Management Board
<b>SFFAS</b>	Statement of Federal Financial Accounting Standards
<b>SMD</b>	Science Mission Directorate
<b>SRB</b>	Standing Review Board
<b>STI</b>	Scientific and Technical Information
<b>TOC</b>	Test Operations Contract
<b>WSTF</b>	White Sands Test Facility

## 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: 650-604-2672 Audits  
Tel: 650-604-5135 Investigations

### Glenn Research Center

NASA Office of Inspector General  
Mail Stop 501-9  
Glenn Research Center  
at Lewis Field  
Cleveland, OH 44135-3191  
Tel: 216-433-5413 Audits  
Tel: 216-433-6679 Investigations

### Goddard Space Flight Center

NASA Office of Inspector General  
Code 190  
Goddard Space Flight Center  
Greenbelt, MD 20771-0001  
Tel: 301-286-0497 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 180-301  
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  
Kennedy Space Center, FL  
32815-0001  
Tel: 321-867-4719 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: 757-864-8500

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

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**TDD: 1-800-535-8134**



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# Office of Inspector General Hotline

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P.O. BOX 23089, L'Enfant Plaza Station  
Washington, DC 20026

Beyond reporting safety issues through NASA's safety channels, including the NASA Safety Reporting System, employees and contractors may report safety issues to the NASA Office of Inspector General Hotline.

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