

Table of Contents

	Page
Table of Contents.....	i
Inspector General’s Remarks.....	iii
Organization.....	1
Significant Audits and Inspections.....	3
Significant Investigations.....	7
Legislation, Legal Matters, and Regulations.....	10
Cooperative and Outreach Activities.....	13
Special Thanks.....	14
APPENDICES.....	15
A. INSPECTOR GENERAL ACT REPORTING REQUIREMENTS.....	17
B. STATISTICAL REPORTS.....	19
<u>TABLES</u>	
1. Audit Reports and Impact.....	19
2. Audits with Questioned Costs.....	20
3. Audits with Recommendations Funds Be Put to Better Use.....	20
4. Revised Decisions and Disagreement On Proposed Actions.....	20
5. Audit Reports for which No Management Decision was Made by September 30, 2001.....	21
6. Prior OIG Audit Recommendations Yet to Be Implemented.....	22
7. Status Of A-133 Findings and Questioned Costs Related to NASA Awards.....	25
8. Inspections/Assessments Activities.....	26
9. Administrative Investigations Activities.....	26
10. Legal Activities and Reviews.....	26
11. Criminal Investigations Activities.....	26
12. Criminal Investigations Impact.....	26
C. SELECTED DCAA AUDITS OF NASA CONTRACTORS.....	27
<u>TABLES</u>	
13. DCAA Audits with Questioned Costs.....	27
14. DCAA Audits with Recommendations Funds Be Put to Better Use.....	27
Significant Contract Audits.....	28
D. Glossary and Acronyms.....	31

Photographs:

Page 16, Space Shuttle Atlantis erupts from Launch Pad 39A amid billows of smoke and steam on mission STS-98. Along with the crew of five, Atlantis is carrying the U.S. Laboratory Destiny.

Page 18, STS-98 Onboard View. In the grasp of the Shuttle's remote manipulator system robot arm, the Destiny laboratory is moved from its stowage position in the cargo bay of the Space Shuttle Atlantis.

Page 30, STS-104 EVA View. With Earth's horizon in the background, astronaut Michael L. Gernhardt, STS-104 mission specialist, participates in one of three space walks.

Page 34, On Launch Pad 17A at Cape Canaveral Air Station, Deep Space 1 is uncovered after installation on a Boeing Delta 7326 rocket.

Inspector General's Remarks

As we prepare this report, the effects of the September 11, 2001, terrorist attacks are still reverberating in the NASA Office of Inspector General (OIG), as they are throughout the nation. Following the attacks, OIG investigators supported local security at the NASA Centers and assisted on the scene at the World Trade Center and at the Pentagon. OIG Computer Crimes Division technicians and investigators helped the FBI's National Infrastructure Protection Office to analyze computer data gathered in the investigations. Our fraud investigators are following leads and have active cases related to potential threats.

Just as proud as I am of our actions following the attacks, I am even more proud that my office's work over the past few years has helped to significantly improve the security of NASA's installations and information technology (IT) systems. This September, we delivered our first annual *Government Information Security Reform Act Report*, which summarized our security reviews of more than 130 NASA computer systems. We determined that the Agency's IT security, while improving, needs more effective implementation, monitoring, and enforcement, and thus should be considered a material weakness. Nevertheless, the actions the Agency has taken in response to our reviews, and the reviews of others, have greatly reduced the Agency's vulnerability to computer attacks. Similarly, our reviews of physical security at NASA Centers have led the Agency to repair holes in fences, install security doors and cameras, enforce the use of badges, and take numerous other steps to protect NASA personnel and property. We plan to continue to emphasize physical and cyber-security in our reviews, evaluations, and audits during the upcoming semiannual period.

Security will be only one focus of our upcoming work. Future audits, inspections, and investigations will also concentrate on key management concerns, including:

- **International Space Station (ISS) program management.** Cost overruns in the ISS program are likely to result in modifications to the program that will limit the utility of the ISS as a research facility. We will monitor NASA's efforts to prevent further cost overruns as well as the effects of planned cuts on the ISS program's ability to meet its goals.
- **NASA's integrated financial management system.** NASA has, to date, been unsuccessful in creating a single integrated financial system as required by the Office of Management and Budget. We will continue to audit NASA's efforts to implement such a system.
- **Safety and mission assurance.** We will continue to support NASA's emphasis on safety by reviewing Agency safety policies as well as their implementation at NASA facilities.
- **Procurement.** During FY 2000, NASA procured over \$12.5 billion in goods and services—more than 86 percent of the Agency's budget—to support its programs and mission. NASA continues to be challenged by the need to promote competition in contracting, improve contract administration, and manage human capital issues.
- **Cost estimating and risk analysis.** NASA's ability to provide accurate and credible cost and savings assessments and risk analyses for its projects has been a concern of ours for many years and was the subject of two OIG reports issued this semiannual period.
- **Launch vehicles.** NASA manages the Space Shuttle program, purchases commercial expendable launch vehicles, and works to develop new advanced launch systems. We will continue to review all of these areas, focusing on Space Shuttle upgrades, NASA's use of commercial launch vehicles, and new launch system development in the Space Launch Initiative.

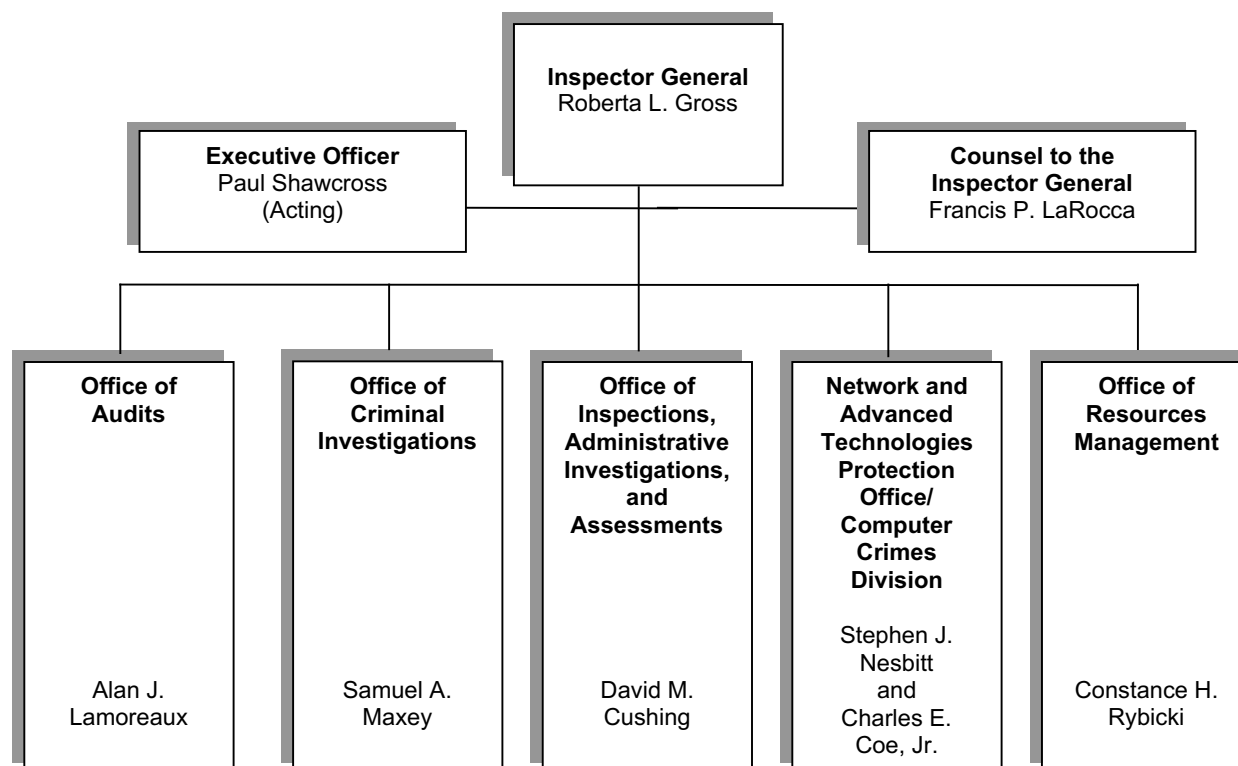
Inspector General's Remarks

- **Compliance with environmental policies.** The National Environmental Policy Act (NEPA) requires Federal agencies to examine and disclose the potential environmental impact of proposed actions before commencing those actions. We are currently monitoring the corrective actions NASA initiated in response to our audit on NEPA implementation and determining whether NASA is adequately complying with the requirements of other environmental policies.
- **Plum Brook Reactor decommissioning.** Decommissioning NASA's Plum Brook Reactor will require a coordinated effort involving several Agency components. Failure to decommission the reactor in a timely manner could result in millions of dollars in future maintenance and disposal costs.

We look forward to working with the Congress, the White House, and especially with the new NASA Administrator, to prevent and detect crime, fraud, waste, abuse, and mismanagement at NASA and to promote economy, effectiveness and efficiency within the Agency and across the Government.

Roberta L. Gross
Inspector General

NASA OFFICE OF INSPECTOR GENERAL



Inspector General Roberta L. Gross provides policy direction and leadership for the NASA OIG. The Counsel to the Inspector General advises and assists the Inspector General on a variety of legal issues and matters. The Executive Officer manages special projects and is the OIG point of contact for congressional relations and outreach to external entities.

THE OFFICE OF AUDITS (OA) conducts independent, objective audits and reviews of NASA and NASA contractor programs and projects to add value and improve NASA operations. The OA conducts a broad range of professional audit and advisory services, comments on NASA policies, and is responsible for oversight of audits performed under contract or by other Federal agencies.

THE OFFICE OF INSPECTIONS, ADMINISTRATIVE INVESTIGATIONS, AND ASSESSMENTS (OIAIA) provides independent, objective inspections and assessments of the effectiveness, efficiency, economy, and integrity of NASA's programs and activities. The OIAIA also conducts focused reviews of specific management issues as well as administrative investigations of non-criminal matters.

THE OFFICE OF CRIMINAL INVESTIGATIONS (OCI) conducts criminal investigations in which NASA is a victim. The OCI investigates false claims, false statements, conspiracy, theft, mail fraud, and violations of Federal laws such as the Procurement Integrity Act and the Anti-Kickback Act.

Organization

THE NETWORK AND ADVANCED TECHNOLOGIES PROTECTION OFFICE, COMPUTER CRIMES DIVISION (NATPO/CCD) responds to criminal attacks against NASA's vast telephony, Internet, and space systems networks. NATPO/CCD provides both OIG field offices and Federal joint task forces with national-level management, strategic operational coordination, and expert assistance in all areas of network and advanced technology investigations and forensic media analysis.

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

Significant Audits and Inspections

During this period we continued to conduct audits and reviews in areas presenting significant management challenges to the Agency. Management generally was responsive to most of our recommendations and continues to work with us to resolve the remaining issues of concern. The following are several significant reports we completed during this period.

Safety

Lifting Devices and Equipment (LDE's) include overhead and mobile cranes, derricks, hoists, and hoist-supported personnel lifting devices. From 1999 to 2000, Stennis removed 16 critical lift cranes from service and reported two lifting mishaps that resulted in equipment and facility damages with estimated costs of more than \$550,000. In 2000, Stennis took steps to improve the program by designating an LDE program manager, drafting an LDE program plan, and making needed repairs on some of its cranes.

Our audit, *Safety of Lifting Devices and Equipment at Stennis Space Center* (IG-01-042), identified five major areas of continuing concern. Specifically, Stennis did not safely perform critical lifts (critical lifts include those of special, high dollar items, such as spacecraft, one-of-a-kind articles, or major facility components, etc., whose loss would have serious programmatic impact), operators and riggers were not properly trained and certified, operators used cranes that had safety deficiencies, crane maintenance was inadequate, and wire rope inspections were inadequate. Management's proposed response, if implemented, will be responsive to our recommendations.

Another audit, *Controls Over the Use of Plastic Films, Foams, and Adhesive Tapes In and Around the Space Shuttle Orbiter Vehicles* (IG-01-034), found that United Space Alliance (USA), the contractor responsible for day-to-day Space Shuttle operations, was routinely using protective plastic films, foams, and adhesive tapes (PFA's) for which there were no records of test data for flammability, electrostatic discharge rate, and hypergolic compatibility characteristics, and were not approved for use by either the USA Safety Office or the Kennedy shuttle Safety Office. USA's procedures for the safe handling and use of those PFA's were not effective. We made five recommendations to improve controls over the use and safety of PFA's in and around the orbiter vehicles. Although Kennedy management partially concurred with all of the report's five recommendations, their proposed actions were responsive to only three. Management asserted that PFA's listed in the report were used properly, but did not present evidence to substantiate that assertion. Kennedy also did not provide specific corrective actions in response to our recommendations that NASA conduct required reviews of proposed contractor procedure changes, determine whether potential hazards are present in



Overhead view of destroyed man-lift

Organization

operations, and review and approve any use of materials that have failed required tests or have not been tested.

International Space Station

Our audit, *Acquisition of the Space Station Propulsion Module (IG-01-027)* found that NASA did not have a cost-effective strategy to provide a long-term United States propulsion capability for the International Space Station (ISS). The Agency attempted to implement the Propulsion Module Project before properly completing acquisition planning and preparing project documentation. In March 2001, NASA cancelled the Project after recognizing that the estimated \$675 million cost to complete the Project was not affordable. We recommended that for future projects, NASA complete acquisition planning and documentation, validate requirements, synchronize milestones, and obtain an approved justification for sole-source selections. The Agency either concurred or partially concurred with all the recommendations. We will continue to monitor noncompetitive procurements on the ISS contract.

Information Technology

Our first annual *Government Information Security Reform Act (GISRA) Report (IG-01-035)* summarized our FY 2000 and FY 2001 reviews of more than 130 NASA computer systems. NASA has improved its development of information technology security (ITS) policies and procedures. However, we continue to find weaknesses in ITS training, ITS planning, and the implementation of ITS on both the individual computer and computer network level. The Agency's lack of centralized IT leadership continues to negatively impact the IT program's security and operations. We also continue to find that resource requirements have not been fully identified, funding shortfalls exist, priorities are unclear, and corrective actions have been slow and incomplete. We consider ITS to be a material internal control weakness reportable in accordance with the Federal Managers' Financial Integrity Act.

GISRA requires agencies to integrate ITS into contracts, grants, and cooperative agreements. OIG audit IG-01-043, *Information Technology Security Requirements in NASA Contracts, Grants, and Cooperative Agreements*, found that the Agency had identified contracts subject to the requirements and is making progress in incorporating ITS requirements into contracts at two of the three Centers reviewed. Since the other Center had made considerably less progress and NASA had not included the applicable security requirements in its purchase orders, grants, and cooperative agreements, the Agency lacks reasonable assurance that it is complying with GISRA requirements, and NASA's systems and information may be subject to additional security risks. We recommended that NASA establish controls to ensure that the Centers properly identify contracts subject to the IT security clause and modify the contracts to incorporate the clause, where appropriate. We also recommended that NASA direct its Centers to include purchase orders, grants, and cooperative agreements in their IT security reviews, and incorporate IT security requirements in purchase orders, grants, and cooperative agreements, where appropriate. Management concurred with the recommendations.

Significant Audits and Inspections

During our recent on-site inspection of badging and physical security at a NASA Center, we identified a significant IT security deficiency with computers being transferred or excessed within the Center's property management system. Specifically, computer hard drives at the Center were being cleared using a technique that is known to be ineffective for rendering data unrecoverable. Inadequately cleared hard drives increase the risk that sensitive information (e.g., Privacy Act information, contractor proprietary data, internally sensitive information, controlled scientific data, personal identification information) is inappropriately released. Our team briefed management during its inspection and subsequently provided additional information regarding applicable guidelines. We also issued a rapid action notice *Data Remaining on Personal Computer Storage Media at a NASA Center* (G-01-030) regarding this issue. Center management concurred with our recommendations and took appropriate and timely corrective actions.

Program/ Project Management

The Independent Program Assessment Office (IPAO) is NASA's internal independent program evaluation and assessment function. In 1996, we reviewed NASA's relocation of the IPAO to Langley Research Center. At the time, management disagreed with our recommendation that the IPAO report to Headquarters and not to Langley. We recently conducted a *Follow-up Review of the Independent Program Assessment Office*, (G-01-019) and found that the effectiveness of the IPAO could be enhanced by:

- Ensuring that reviews are conducted at key points in programs and projects.
- Clarifying the criteria for conducting different types of reviews.
- Increasing cost estimation expertise.
- Making the IPAO a Headquarters component.
- Strengthening the IPAO's role in the newly established Independent Review Team process.

Management concurred with five of our recommendations. Management did not concur with our recommendations to clearly define criteria for conducting independent reviews, to make the IPAO a Headquarters component, and to designate the IPAO as a Co-Chair, rather than Deputy Chair in the Independent Review Team process. We asked management to reconsider its response to these recommendations.

Procurement

OIG audit IG-00-029, *Consolidated Space Operations Contract: Evaluating and Reporting Cost Savings*, found that NASA cannot substantiate the \$62 million of costs savings reported to the Congress for the first 2 years of the Consolidated Space Operations Contract (CSOC). NASA reported the savings based on budget reductions rather than on actual costs for work performed under the contract. Consequently, neither the Congress nor NASA can evaluate current cost savings or whether the Agency will achieve the anticipated \$1.4 billion cost savings estimated through fiscal year 2008. NASA did not concur with our recommendations to evaluate and report cost savings as defined by the Office of Management and Budget (OMB). NASA stated that the original savings anticipated from CSOC were based on a mission model that is no longer valid and any report based on the original model would reflect an inaccurate picture of costs and savings. Management provided additional comments as requested

Significant Audits and Inspections

in our final audit report. We are currently evaluating those comments to determine whether they are responsive.

Security

Our audit, *NASA's Planning and Implementation for Presidential Decision Directive 63—Phase III* (IG-01-038), found that NASA has made progress toward protecting the Agency's critical physical assets in compliance with Presidential Decision Directive (PDD) 63, "Critical Infrastructure Protection" by developing a generally comprehensive critical infrastructure protection plan, identifying most of its critical physical assets, and satisfactorily completing initial vulnerability assessments. Notwithstanding such progress, the Agency can improve its planning for PDD-63 to more effectively meet the requirements of the directive. Specifically, NASA must ensure that its list of minimum essential infrastructure items is complete and that the interdependencies between different elements of its critical infrastructure are identified. Until it takes these actions, NASA will lack assurance that the Agency's critical physical infrastructure will undergo appropriate vulnerability assessment and risk mitigation activities. More importantly, the Agency will lack assurance that it can provide an appropriate level of protection for all of its most critical assets. We recommended that NASA include all appropriate assets in the Agency's list of critical assets and identify all interdependencies. Management concurred with the findings and recommendations.

We conducted multiple physical security reviews during this semiannual period. These included an assessment of the *NASA Headquarters Employee Background Investigation Process* (G-01-020), *Badging and Physical Access Controls at the Goddard Space Flight Center Independent Verification and Validation Facility* (G-01-026), and *Management Alert-Security and Safety of NASA Child Care Facilities* (G-01-021). Management was responsive to our recommendations.

Significant Investigations

Contractors to Pay Over \$4 Million for Violations

OIG investigations resulted in Sverdrup Technology, Inc., a former NASA technical support contractor at John C. Stennis Space Center, Mississippi, agreeing to pay the Government \$2.5 million to resolve allegations of mischarging. The contractor misclassified bid and proposal costs, resulting in its receiving payment for substantial unallowable costs, and violated the False Claims Act by mischarging NASA overhead labor and material costs as direct costs. The company also charged NASA substantially more for developing technical standards than it had previously estimated. Debarment recommendations concerning the company and an individual associated with the mischarging scheme are pending.

As the result of another investigation, the United States (U.S.) District Court accepted a guilty plea from Strandflex Corporation, Oriskany, New York, and sentenced the company to 3-years probation, and ordered it to pay \$500,000 in fines and \$1.1 million in damages. Strandflex admitted it manufactured “aircraft cable” that did not meet the required Military Specification and sold the cable to NASA, the Department of Defense (DoD), and other Government agencies.

Other investigative work resulted in the U.S. District Court rendering a judgement that a California contractor pay NASA and the Government \$155,000 for submitting false claims for work not performed in the production of a “video flight deflection measurement system”

Investigations Result in Several Indictments and Guilty Pleas

Our investigative efforts resulted in indictments and guilty pleas from several companies and persons for violations of Federal statutes. For example:

- Two Texas companies and their officers were indicted for conspiracy, money laundering, and wire fraud. The indictment alleges that the companies engaged in a conspiracy to pay kickbacks in exchange for aircraft parts repair orders and participated in a conspiracy to introduce unapproved aircraft parts, obtained from various scrap metal sellers, into the military and civilian aviation industry.
- A former contractor employee charged with theft of public money forfeited \$65,000 to settle a civil forfeiture complaint and pled guilty to stealing contract funds for personal use. Sentencing on the guilty plea is scheduled for December 2001.
- A NASA contractor who offered laser equipment and parts for sale to the Government and private entities pled guilty and signed a four-count plea agreement admitting to mail fraud, wire fraud, theft of Government property, and making false statements to a Government agency. The plea agreement included mandatory restitution to NASA and other victims.

Significant Investigations

Computer Intrusions/ Crimes

Computer crimes at NASA have a negative impact on the Agency's mission, reputation, and stewardship of taxpayer dollars. We have solved cases involving extortion of NASA and contractor personnel, loss of communications services costing hundreds of thousands of dollars per intrusion to repair, and use of NASA-funded networks to further criminal enterprises. Our computer crimes unit increasingly provides support to our criminal investigators on complex cases involving computer technology (e.g., where key information for a case resides on a suspect's computer) or in cases where the computer was used as a means of committing a crime (e.g., wire fraud, monetary extortion, or trafficking in child pornography).

During this semiannual period, our computer intrusion investigations resulted in the indictment, arrest, and sentencing of several hackers. Charges against the hackers included unauthorized access to U.S. Government computers, disruption of computer use, Web page defacement, possession of computer programs with intent to defraud, identity theft, and possession of stolen property.

- A Texas hacker, was indicted by a Federal Grand Jury and subsequently arrested.
- An Israeli hacker involved in an attack against DoD and NASA computer systems in 1998 was sentenced to 6 months of community service, 1 year of probation, fined \$18,000, and received a 2-year suspended prison sentence.
- A Michigan youth was sentenced for accessing NASA and Department of Energy computer systems.
- Eleven felony counts, four of which related to defacing a NASA Web site, were filed against a California hacker who was protesting the public copyright law suits against Napster.com.
- The head of a hacker group known as "#conflict" was sentenced to 4 months in prison, 4 months of home confinement, and ordered to pay \$4,400 in restitution to NASA.
- A hacker on pre-trial release was arrested again for conspiracy to commit wire fraud.

An investigation disclosed that a former NASA contractor employee might have sent several threatening electronic mail messages from his NASA computer. A Federal Grand Jury indicted the West Virginia man on one count of making threats to inflict bodily harm upon then-President-elect George W. Bush and two counts of transmitting communications containing threats to injure the persons of others.

Another investigation resulted in the sentencing of a former Jet Propulsion Laboratory (JPL) contractor employee and two other individuals for a scheme to hijack automated teller machine (ATM) accounts. The former employee used NASA computer equipment to develop programs that allowed him and his coconspirators to illegally capture ATM accounts and personal identification numbers to steal large sums of money from unsuspecting bank customers. The trio was ordered to pay a total of over \$2.5 million in restitution.

**Child
Pornography**

Separate investigations resulted in charges being filed against one individual and the sentencing of two others for violations of child pornography statutes.

- A former JPL contractor employee pled guilty to two counts of receiving child pornography and one count of unauthorized access of a nonpublic NASA computer.
- As a result of his guilty plea for possession of child pornography, a former Marshall Space Flight Center contractor employee was sentenced to 28 months incarceration, 36 months supervised probation, and ordered to pay a \$2,500 fine and court costs.
- A former computer administrator for a Glenn Research Center contractor was sentenced to 13 years and 3 months in prison followed by 3 years of probation. He was also ordered to pay a \$17,500 fine as well as a special assessment fee and forfeit all personal computers and related equipment. Upon release from prison, he must register as a sexual offender wherever he chooses to reside. The former employee pled guilty to producing and distributing child pornography, receiving child pornography by computer, and possession of child pornography.

**IG Agent
Lauded by
U.S. Attorney**

At least 10 people have been indicted and convicted as a result of an ongoing series of investigations at a NASA Center. Most convictions were either in connection with an overarching kickback scheme or for significant theft of Government property. The U.S. Attorney's Office lauded the OIG lead agent's tenacity, expertise, and work ethic, noting that the impact of the convictions and the ongoing investigations is being felt throughout the facility, among Government and contract employees alike.

Legislation, Legal Matters, and Regulations

Legislation and Legal Matters

Computer Trespass Legislation

We are following with interest congressional action to enable the monitoring of “computer trespassers.” While the wiretap statute grants victims of computer hacking the authority (in self-defense) to monitor electronic communications by intruders on their computer systems, it does not allow the victims to request the assistance of law enforcement in conducting the monitoring. For example, the Department of Justice had to deny victim requests to monitor intrusions in a major cyber terrorism investigation involving national security. Until trespasser legislation is passed, victims are forbidden from taking reasonable steps in their own defense that would be entirely legal in the context of physical burglary and theft.

Regulations

We reviewed and commented on several policy directives and guidelines during this period. Two directives we reviewed raise issues affecting Inspector General independence. One policy addresses procedures, guidelines, and responsibilities for the domestic and foreign release of software created by or for NASA. The other applies to software developed or acquired to support NASA programs and projects. Under current Agency policy, NASA Center Directors are responsible for authorizing the release of software outside of NASA. This means that when the OIG develops software to support its oversight and law enforcement missions, the OIG must coordinate with the NASA Headquarters Center Director to release the software. To preserve the independence required by the Inspector General Act of 1978, we recommended that the Inspector General be given responsibility as the Releasing Authority for all software developed by OIG employees. We are discussing the Agency’s rejection of that recommendation with NASA management and now recommend that the OIG be exempt from this policy.

We made other recommendations about policy directives and guidance related to:

- *Protection of Human Research Subjects*: The Agency agreed to include our recommendations to define human research, improve the consent process for human research subjects, and report noncompliance with the policy.
- *Software Independent Verification & Validation (IV&V) Policy*: We worked with the Office of Safety and Mission Assurance to require Agency policies for facilities that perform independent verification and validation of software to include guidance on performance measurement requirements for software development.
- *Security Procedures and Guidelines*: Although the Agency agreed with our audit recommendation that the revised security procedures policy should set forth NASA-wide guidance to ensure that activities of foreign visitors be appropriately and uniformly monitored while they visit or work at NASA Centers, the recommendation was not implemented. We brought our concern to the Administrator’s attention.

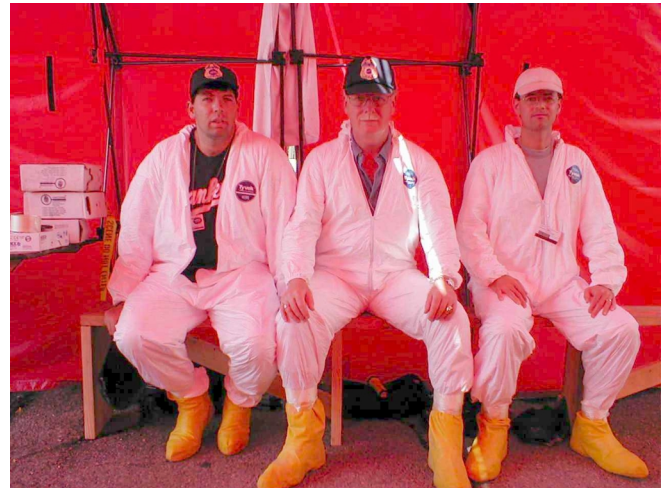
Legislation, Legal Matters, and Regulations

- *Management Processes and Requirements:* Based upon our prior comments, the Office of the Chief Engineer revised draft policy on the formulation, approval, implementation, and evaluation of all Agency programs and projects to contain a more detailed discussion of ITS that reflects the importance of ITS throughout the life cycle of Agency programs and projects.
- *Earned Value Management:* Earned Value Management (EVM) is required on “significant” NASA contracts to ensure that contractor management systems provide the contractor and Government project managers with accurate data to make responsible decisions. NASA entered into some non-contract agreements (notably cooperative agreements with commercial firms) that would require EVM if they had been contracts. We recommended that Contracting Officers be given discretion to require EVM on non-contract procurements that meet the defined thresholds. The Agency rejected the recommendation.
- *Contractor Display of OIG Hotline Posters:* The NASA Federal Acquisition Regulation (FAR) Supplement now requires NASA contractors to obtain hotline posters from the OIG and post them prominently in contractor facilities where and when work is performed on NASA’s domestic contracts valued at more than \$5,000,000. NASA may also impose this requirement in contracts for commercial items on a case-by-case basis when unusual circumstances warrant (e.g., procurements involving extraordinary concerns about the safety of human life). The final rule was published in the Federal Register (FR) on June 1, 2001 (66 FR 29726-29727). The OIG hotline poster is available online at: www.hq.nasa.gov/office/oig/hq/hotline.html

Cooperative and Outreach Activities

SEPTEMBER 11, 2001 REACTION

Following the terrorist attacks on September 11, 2001, investigators from the Office of Inspector General worked at both the World Trade Center and Pentagon crime scenes. On the day after the attacks, the Inspector General testified before the Senate Governmental Affairs Committee Hearing on “How Safe is our Critical Infrastructure.” Computer Crimes Division technicians and investigators are helping analyze data at the FBI’s National Infrastructure Protection Office. Our fraud investigators are running leads and have active cases related to potential threats. Many staff volunteered to give blood, while others are contributing in equally important ways. Like other Americans, we will continue the work to preserve this country and our values.



OIG staff at Pentagon crash site

Leading the OIG Response to the Government Information Security Reform Act

The OIG initiated, developed, and hosted two joint conferences of the President’s Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency (PCIE/ECIE)—the organizations representing all the Federal Offices of Inspector General—on the GISRA. The conferences focused on GISRA requirements, review approach and methods, and NASA OIG GISRA planning and experiences. In addition, the Assistant Inspector General for Inspections, Administrative Investigations, and Assessments briefed the May 2001 PCIE/ECIE Retreat on GISRA requirements, review approach and methods, and the NASA OIG GISRA planning and experiences.

Other Outreach

The OIG staff continues to share their expertise through a variety of mechanisms:

- Our legal staff sponsored training for the PCIE/ECIE on legal issues associated with information technology. The training covered such topics as the wiretap law, the Electronic Communications Privacy Act, computer crime, and vulnerability assessments.
- We continued to partner with other Federal agencies in developing strategies and methodologies for combating cyber crime and conducting cyber-counterintelligence operations.
- We gave classroom instruction to the Air Force Office of Special Investigations and the U.S. Secret Service on forensic platforms for processing digital evidence and we contributed to a guide dealing with crime scene processing for digital evidence.

Cooperative and Outreach Activities

- We presented workshops at the August 2001 Federal Dispute Resolution Conference where we provided information to personnel specialists, labor relations specialists, Equal Employment Opportunity professionals and attorneys involved in employee disputes.
- One of our inspectors, a procurement analyst, authored “Partnering to Prevent, Fraud, Waste, and Abuse” in the June 2001 issue of *Contract Management*. The article describes the Federal Inspector General’s role in preventing contract fraud and procurement irregularities and advocates cooperation between the contract community and Offices of Inspectors General.
- Our Administrative Investigations Division participated in a working group to develop a Federal Law Enforcement Training Center course, “Basic Non-Criminal Investigator Training.” The Division’s procedures and handbooks were used extensively as the basis for course materials and case studies.
- Representatives from our staff participated in various working groups and professional organizations, including a high-level international workshop on space traffic management.

PDD-63

The NASA OIG led a PCIE/ECIE initiative to review the Federal Government’s implementation of PDD-63 “Critical Infrastructure Protection.” On September 12, 2001, NASA Inspector General Roberta Gross testified on this effort at the Senate Committee on Governmental Affairs hearing on “How Safe Is Our Critical Infrastructure?” Two OIG staff members received the PCIE *Award for Excellence* for their leadership in this activity.

Special Thanks

Joan E. Hartman, formerly of the Department of Justice (DoJ), Civil Division, Commercial Litigation Branch, left the Federal service this summer for other pursuits. Joan, a strong supporter of the Inspector General concept, co-authored the DoJ Inspector General subpoena monograph. On many occasions she trained Inspector General attorneys on the legal nuances of Inspector General jurisdiction, wading through the various Office of Legal Counsel opinions and the case law that has developed through IG subpoena enforcement proceedings. Her support in False Claims Act cases on behalf of the Government, and in particular involving NASA, was exceptional. Most notable from NASA’s perspective was her contribution to the Hubble Telescope case against Perkin-Elmer Corporation and Hughes Danbury Optical, which resulted in a \$25 million settlement for the Government. We thank Joan Hartman for her outstanding contributions in support of the Inspector General mission.

APPENDIX A INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

APPENDIX B STATISTICAL REPORTS

Tables	Inspector General Act Citation
1 Audit Reports and Impact	Section 5 (a)(6)
2 Audits with Questioned Costs.....	Section 5 (a)(8)
3 Audits with Recommendations Funds Be Put to Better Use.....	Section 5 (a)(9)
4 Revised Decisions and Disagreement On Proposed Actions	Section 5 (a)(11) and 5 (a)(12)
5 Audit Reports for which No Management Decision was Made by September 30, 2001	Section 5 (a)(10)
6 Prior Audit Recommendations Yet to Be Implemented	Section 5 (a)(3)
7 Status Of A-133 Findings and Questioned Costs Related to NASA Awards	n/a
8 Inspections/Assessments Activities.....	n/a
9 Administrative Investigations Activities	n/a
10 Legal Activities and Reviews	Section 4 (a)(2)
11 Criminal Investigations Activities	n/a
12 Investigations Impact	Section 5 (a)(4)

APPENDIX C SELECTED DCAA AUDITS OF NASA CONTRACTORS

Tables	Inspector General Act Citation
13 DCAA Audits with Questioned Costs	n/a
14 DCAA Audits with Recommendations Funds Be Put to Better Use	n/a
Significant Contract Audits	n/a

APPENDIX D GLOSSARY AND ACRONYMS

INSPECTOR GENERAL ACT REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports to the Congress. Those requirements are defined below and cross-referenced to this report.

IG Act Citation	Requirement Definition	Cross Reference Page Number(s)
Section 4(a)(2)	Review of Legislation and Regulations	10 and 26
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	3-7
Section 5(a)(2)	Recommendations for Corrective Actions.....	3-7
Section 5(a)(3)	Prior Recommendations Yet to Be Implemented	22
Section 5(a)(4)	Matters Referred to Prosecutive Authorities.....	26
Section 5(a)(5) and 6 (b)(2)	Summary of Refusals to Provide Information	None
Section 5(a)(6)	OIG Audit Reports Issued—Includes Total Dollar Values of Questioned Costs, Unsupported Costs, and Recommendations Funds Be Put to Better Use.....	19
Section 5(a)(7)	Summary of Significant Audit Reports.....	3-6
Section 5(a)(8)	Table—Total Number of Audit Reports and Total Dollar Value Questioned Costs	20
Section 5(a)(9)	Table—Total Number of Audit Reports and Total Dollar Value Funds Be Put to Better Use	20
Section 5(a)(10)	Summary of Prior Audit Reports for which No Management Decision Has Been Made	21
Section 5(a)(11)	Description and Explanation of Significant Revised Management Decisions	20
Section 5(a)(12)	Significant Management Decisions with which the Inspector General Disagreed.....	20

Debt Collection
 The Senate Report accompanying the supplemental Appropriations and Rescissions Act of 1980 (P.L. [Public Law] 96-304) requires Inspectors General to report amounts due the agency, and amounts that are overdue and written off as uncollectible.

Since the Financial Management Division provides this data each November for the previous fiscal year, the figures for Fiscal Year 2001 will be reported in the Semiannual Report for the period October 1, 2001, through March 31, 2002.

TABLE 1 – AUDIT REPORTS AND IMPACT

Report Number/ Date Issued	Report Title	Questioned Costs	Funds Put to Better Use
IG-01-026	[NOT USED]		
IG-01-027 05/21/01	ACQUISITION OF THE SPACE STATION PROPULSION MODULE		\$675,000,000
IG-01-028 05/18/01	CONGRESSIONAL REQUEST FOR A REVIEW OF SELECTED PERFORMANCE MEASURE IN NASA’S FISCAL YEAR 2000 PERFORMANCE REPORT		
IG-01-029 08/31/01	CONSOLIDATED SPACE OPERATIONS CONTRACT: EVALUATING AND REPORTING COST SAVINGS		
IG-01-030 06/13/01	QUALITY CONTROL REVIEW OF KPMG, LLP, AUDIT OF CALIFORNIA ASSOCIATION FOR RESEARCH IN ASTRONOMY FOR FISCAL Year ENDED SEPTEMBER 30, 2000		
IG-01-031 07/30/01	QUALITY CONTROL REVIEWS OF THE NASA HEADQUARTERS EXCHANGE FINANCIAL STATEMENTS FOR FISCAL YEARS ENDED SEPTEMBER 30, 1998, AND 1999		
IG-01-032 08/22/01	UNIX OPERATING SYSTEM SECURITY AND INTEGRITY AT [A NASA CENTER]		
IG-01-033 08/21/01	UNIX OPERATING SYSTEM SECURITY AND INTEGRITY AT [A NASA CENTER]		
IG-01-034 08/31/01	CONTROLS OVER THE USE OF PLASTIC FILMS, FOAMS, AND ADHESIVE TAPES IN AND AROUND THE SPACE SHUTTLE ORBITER VEHICLES		
IG-01-035 09/10/01	GOVERNMENT INFORMATION SECURITY REFORM ACT – 2001 REPORT		
IG-01-036 09/27/01	NASA’S INFORMATION SYSTEMS PROCESSING NATIONAL SECURITY INFORMATION REPORT		
IG-01-037 09/27/01	AGENCYWIDE INFORMATION TECHNOLOGY SECURITY PROGRAM FOR UNCLASSIFIED SYSTEMS		
IG-01-038 09/27/01	NASA’S PLANNING AND IMPLEMENTATION FOR PRESIDENTIAL DECISION DIRECTIVE 63 – PHASE III		
IG-01-039 09/27/01	CAPITAL PLANNING FOR INFORMATION TECHNOLOGY SECURITY		
IG-01-040 09/28/01	MULTIPLE-AWARD CONTRACTS		
IG-01-041 09/27/01	PROCUREMENT WORKFORCE PLANNING		
IG-01-042 09/28/01	SAFETY OF LIFTING DEVICES AND EQUIPMENT AT STENNIS SPACE CENTER		
IG-01-043 09/28/01	INFORMATION TECHNOLOGY SECURITY REQUIREMENTS IN NASA CONTRACTS, GRANTS, AND COOPERATIVE AGREEMENTS		
Total Reports Issued	17		
Subtotal Audit Dollar Impact		\$0	\$675,000,000
TOTAL AUDIT DOLLAR IMPACT		\$675,000,000	

Appendix B
Statistical Reports

TABLE 2 – AUDITS WITH QUESTIONED COSTS

	<u>Number of Audit Reports</u>	<u>Total Costs Questioned</u>
No management decision made by beginning of period	2*	\$11,014,734*
Issued during period	0	\$ 0
Needing management decision during period	2	\$11,014,734
Management decision made during period:	0	
Amounts disallowed	—	\$ 0
Amounts not disallowed	—	\$ 0
No management decision at end of period:	2	\$11,014,734
Less than 6 months old	0	\$ 0
More than 6 months old	2	\$11,014,734

*Adjusted from prior period.

TABLE 3 – AUDITS WITH RECOMMENDATIONS FUNDS BE PUT TO BETTER USE

	<u>Number of Audit Reports</u>	<u>Total Costs Questioned</u>
No management decision made by beginning of period	5*	\$251,224,000*
Issued during period	1	\$675,000,000
Needing management decision during period	6	\$926,244,000
Management decision made during period:	4	
Amounts management agreed be put to better use:		
Based upon proposed management action	—	\$716,104,000
Based upon proposed legislative action	—	0
Amounts which management disagreed be put to better use	—	\$ 30,440,000
No management decision at end of period:	2	\$179,700,000
Less than 6 months old	0	\$ 0
More than 6 months old	2	\$179,700,000

*Adjusted from prior period.

TABLE 4 – REVISED DECISIONS AND DISAGREEMENT ON PROPOSED ACTIONS

	<u>Number</u>	<u>Description</u>
Revised Management Decision(s)	None	N/A
Inspector General Disagreement with Significant Management Decision(s)	None	N/A

TABLE 5 – AUDIT REPORTS FOR WHICH NO MANAGEMENT DECISION WAS MADE BY SEPTEMBER 30, 2001

Report Number/ Date Issued	Report Topic	Number of Recommendations	
		Resolved	Unresolved
NEW SINCE LAST REPORTING PERIOD			
INFORMATION TECHNOLOGY			
IG-01-008 02/16/01	NASA SHOULD STRENGTHEN PRIVACY POLICIES AND MANAGEMENT OF ITS PUBLICLY ACCESSIBLE WEB SITES <i>Status: We recommended that NASA develop and implement policies and procedures required by OMB, revise the NASA Web site privacy statement, implement web-based measures to warn users leaving NASA's Web sites, and inventory the Agency's publicly accessible Web sites. NASA was not responsive to any of our recommendations. We are currently working with management to resolve our differences.</i>	0	6
PROCUREMENT			
IG-01-006 11/27/00	NASA HAS NOT BENEFITED FROM BOEING'S CORPORATE RESTRUCTURING <i>Status: We recommended that NASA participate in negotiations to mitigate the impact from Boeing's accounting changes to ensure that NASA receives the maximum offset of \$64.7 million. NASA management has participated in the ongoing negotiations but has not yet specifically addressed the \$64.7 million cost benefit.</i>	5	1
PROGRAM AND PROJECT MANAGEMENT			
IG-01-021 03/30/01	IMPROVEMENTS ARE NEEDED IN X-37 PROJECT MANAGEMENT <i>Status: Management is re-evaluating their nonconcurrency with our recommendation to require use of Earned Value Performance Management on cooperative agreements of \$60 million or more. Due to procurement sensitivity, we are still awaiting management comments on five recommendations regarding launch and flight test of the X-37.</i>	7	1
LAUNCH VEHICLES			
IG-01-003 12/21/00	NASA SHOULD ESTABLISH A PRICING SYSTEM FOR THE SPACE SHUTTLE <i>Status: NASA and the OIG disagree whether a pricing system is required by law and whether NASA must establish a definition for the "fair value" that must be charged to Department of Defense customers in accordance with Federal law. We requested a management decision from the Audit Followup Official on June 28, 2001.</i>	0	5
REPORTED IN PREVIOUS SEMIANNUAL REPORTS			
INTERNATIONAL SPACE STATION			
IG-99-007 01/28/99	BOEING CAN IMPROVE SPACE STATION PERFORMANCE MEASUREMENT REPORTS <i>Status: We will refer the unresolved recommendations to the Audit Followup Official for a management decision.</i>	1	2
IG-99-009 03/09/99	CONTINGENCY PLANS FOR SPACE STATION ASSEMBLY NEED ATTENTION <i>Status: We will refer the unresolved recommendations to the Audit Followup Official for a management decision.</i>	0	2
INFORMATION TECHNOLOGY			
IG-00-017 03/21/00	OPPORTUNITIES TO IMPROVE DISASTER RECOVERY PLAN AND PHYSICAL AND ENVIRONMENTAL CONTROLS IDENTIFIED AT JOHNSON SPACE CENTER <i>Status: We are working with management to resolve the nonconcurrency.</i>	13	1

(continued)

Appendix B
Statistical Reports

TABLE 5 – (Continuation)

Report Number/ Date Issued	Report Topic	Number of Recommendations	
		Resolved	Unresolved
PROCUREMENT			
IG-98-041 09/30/98	CONSOLIDATED NETWORK MISSION OPERATIONS SUPPORT CONTRACT, TRANSITION AND IMPLEMENTATION <i>Status: The recommendation remains unresolved pending management action to recover questioned costs.</i>	0	1
IG-99-053 09/27/99	MARSHALL'S MANAGEMENT OF FACILITY LEASING CAN BE IMPROVED <i>Status: Two recommendations remain unresolved pending management action to recover questioned costs.</i>	3	2
IG-00-043 09/20/00	COST BENEFIT ANALYSIS AND AWARD FEE STRUCTURE IMPROVEMENTS NEEDED FOR CONSOLIDATED SPACE OPERATIONS CONTRACT <i>Status: We are working with management to resolve the nonconcurrence.</i>	6	1
FISCAL MANAGEMENT			
IG-00-044 09/14/00	TRANSFER OF EXTERNAL TANK DISPLAY TO KENNEDY SPACE CENTER VISITOR COMPLEX <i>Status: We are awaiting Audit Followup Official's written management decision.</i>	0	3
PROGRAM AND PROJECT MANAGEMENT			
IG-00-045 09/20/00	STATUS OF NASA'S INDEPENDENT COST ESTIMATING CAPABILITY <i>Status: We are working with management to resolve the nonconcurrences.</i>	2	3
TECHNOLOGY DEVELOPMENT			
IG-99-052 09/24/99	COST REASONABLENESS OF THE X-33 PROGRAM <i>Status: Proposed revision of NPG 7120.5 does not include a quantification of cost risk. Therefore, recommendation remains unresolved.</i>	3	1

TABLE 6 – PRIOR AUDIT RECOMMENDATIONS YET TO BE IMPLEMENTED

Report Number/ Date Issued	Report Topic	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target/ Closure Date
				Open	Closed	
NEW SINCE LAST REPORTING PERIOD						
SAFETY AND MISSION ASSURANCE						
IG-01-017 03/23/01	NASA SAFETY OVERSIGHT OF SPACE FLIGHT OPERATIONS CONTRACT WITH UNITED SPACE ALLIANCE CAN BE IMPROVED	03/23/01	*	9	1	10/31/01
INFORMATION TECHNOLOGY						
IG-01-22 03/30/01	NASA'S INFORMATION SYSTEM VULNERABILITY METRIC CAN BE IMPROVED	03/30/01	*	4	0	03/31/02

*Non-monetary finding

(continued)

TABLE 6 – (Continuation)

Report Number/ Date Issued	Report Topic	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target/ Closure Date
				Open	Closed	
PROGRAM AND PROJECT MANAGEMENT						
IG-01-009 03/13/01	NASA NEEDS TO IMPROVE FASTER, BETTER, CHEAPER POLICIES AND GUIDANCE AND INCORPORATE THEM INTO ITS STRATEGIC MANAGEMENT PROCESS	05/14/01	*	5	0	See Note 1
IG-01-018 03/27/01	ADVANCED AERONAUTICS PROGRAM'S MANAGEMENT CONTROLS CAN BE IMPROVED	03/27/01	*	7	6	10/31/01
REPORTED IN PREVIOUS SEMIANNUAL REPORTS						
SAFETY AND MISSION ASSURANCE						
IG-99-036 09/20/99	AGENCY NEEDS TO PROVIDE FOR CONTINGENCY OF CREW RETURN VEHICLE OPERATIONAL TESTING	09/20/99	*	1	1	05/31/05
IG-99-047 09/22/99	SEVERAL SAFETY CONCERNS EXIST AT THE GODDARD SPACE FLIGHT CENTER	09/22/99	*	3	2	10/31/01
IG-00-035 06/05/00	NASA TO IMPROVE ITS APPLICATION OF BASIC SAFETY PROVISIONS TO EXISTING CONTRACTS	06/05/00	*	1	2	10/30/01
INTERNATIONAL SPACE STATION						
IG-00-007 02/16/00	PERFORMANCE MANAGEMENT OF THE INTERNATIONAL SPACE STATION PRIME CONTRACT NEEDS IMPROVEMENT	02/16/00	*	1	13	See Note 2
INFORMATION TECHNOLOGY						
IG-00-014 03/15/00	UNIX SECURITY CONTROLS NEED IMPROVEMENT	03/15/00	*	10	4	10/30/01
IG-00-055 09/28/00	NASA'S SYSTEM INFORMATION TECHNOLOGY SECURITY PLANNING CAN BE IMPROVED	12/29/00	*	3	7	10/30/01
IG-00-057 09/28/00	NASA CAN IMPROVE ITS PLANNING FOR PRESIDENTIAL DECISION DIRECTIVE 63	09/28/00	*	2	1	12/31/01
PROCUREMENT						
IG-98-030 09/14/98	NASA NEEDS ADEQUATE ANALYSES OF CRITICAL SINGLE-SOURCE SUPPLIERS FOR SPACE SHUTTLE PROJECTS	03/17/99	*	1	2	See Note 1
FISCAL MANAGEMENT						
IG-99-001 11/03/98	X-33 FUNDING ISSUES	08/30/01	*	2	0	11/30/01

*Non-monetary finding

(continued)

Appendix B
Statistical Reports

TABLE 6 – (Continuation)

Report Number/ Date Issued	Report Topic	Date Resolved	Total Monetary Findings	Number of Recommendations Open Closed		Latest Target/ Closure Date
IG-99-059 09/30/99	DISBURSEMENTS ARE NOT PROPERLY MATCHED TO OBLIGATIONS	10/31/00	*	1	2	10/31/01
PROGRAM AND PROJECT MANAGEMENT						
IG-99-016 03/24/99	SOFTWARE PROBLEMS CAUSE LAUNCH DELAY OF CHANDRA X-RAY OBSERVATORY	03/24/99	*	2	0	10/31/01
IG-99-058 09/30/99	EARNED VALUE MANAGEMENT AT NASA	11/08/00	*	3	0	12/30/01
IG-00-005 02/09/00	X-38/CRV PROJECT NEEDS GREATER EMPHASIS ON RISK AND PERFORMANCE MANAGEMENT	02/09/00	*	1	0	See Note 3
IG-00-029 03/30/00	IMPROVEMENTS ARE NEEDED IN SPACE TRANSPORTATION STRATEGIC MANAGEMENT AND X-34 PROGRAM/PROJECT MANAGEMENT	03/30/00	\$7,000,000	8	8	See Note 4
IG-00-037 07/17/00	RESEARCH FLIGHT OPERATIONS TERMINATED PREMATURELY	07/17/00	*	4	0	10/15/01
LAUNCH VEHICLES						
IG-00-009 02/23/00	STAFFING NOT ALIGNED WITH GOALS OF THE EXPENDABLE LAUNCH VEHICLE PROGRAM OFFICE	02/23/00	*	1	2	See Note 1
INTERNATIONAL AGREEMENTS						
IG-99-020 03/31/99	PROGRAM OFFICES TO TIGHTEN MANAGEMENT CONTROLS OVER EXPORT-CONTROLLED TECHNOLOGIES	03/31/99	*	6	0	See Note 5
IG-00-018 03/23/00	NASA LACKS ASSURANCE THAT CONTRACTORS ARE EXPORTING CONTROLLED TECHNOLOGIES IN ACCORDANCE WITH APPLICABLE EXPORT LAWS AND REGULATIONS	03/23/00	*	2	0	12/31/01
IG-00-034 05/12/00	CONTROLS OVER ACCESS TO NASA CENTERS BY FOREIGN VISITORS NEED TO BE STRENGTHENED	05/12/00	*	4	0	12/31/01
IG-00-048 09/19/00	EXPORTS ON BEHALF OF SPACE STATION PROGRAM MAY NOT BE IN COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS	09/19/00	*	2	0	12/31/01

*Non-monetary finding

(continued)

TABLE 6 – (Continuation)

Report Number/ Date Issued	Report Topic	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target/ Closure Date
				Open	Closed	
ENVIRONMENTAL MANAGEMENT						
IG-98-024 08/18/98	COST SHARING FOR SANTA SUSANA FIELD LABORATORY CLEANUP ACTIVITIES	10/05/00	\$31,698,578	2	2	03/29/02
IG-00-030 03/31/00	NASA'S IMPLEMENTATION OF THE NATIONAL ENVIRONMENTAL POLICY ACT CAN BE IMPROVED	09/28/01	*	7	2	03/31/02

*Non-monetary finding

Note 1. Closure of the recommendation depends on NASA's issuance of NPG 7120.5B.

Note 2. Closure of recommendation 13 depends upon a determination by the Defense Contract Audit Agency that NASA is receiving a 2:1 savings-to-cost ratio on a corporate restructuring by The Boeing Company, as stated in recommendations 1 and 2 in audit report IG-01-006.

Note 3. NASA's budget does not contain specific funds for the X-38, but a future Crew Return Vehicle is still possible. Implementation of the recommendation depends upon the continuation of the project.

Note 4. Management has not provided an updated estimated completion date for implementation of corrective actions.

Note 5. Closure of the recommendation depends upon NASA's issuance of NPG 2190.

TABLE 7 – STATUS OF A-133¹ FINDINGS AND QUESTIONED COSTS RELATED TO NASA AWARDS²

Total Audits Reviewed	104
Audits with Recommendations	18
Audits Unresolved Over 6 Months Old	0
Total Disallowed/Questioned Costs	\$3,755,532
Total Disallowed/Questioned Costs Recovered/Sustained	\$ 575,908
Recommendations: Beginning Balance	18
New Recommendations	45
Recommendations Dispositioned	36
Ending Balance	27
Average Age of Recommendations Not Completed	6.7 months

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

²Data prepared by NASA Office of Procurement for the financial reporting period ending September 30, 2001, in accordance with OMB Circular A-50, *Audit Followup*.

Appendix B
Statistical Reports

**TABLE 8 – INSPECTIONS/ASSESSMENTS
ACTIVITIES¹**

Activities Opened	16
Activities Closed	13
Activities Pending	22
¹ Includes inspection and assessment reports, special studies, responses to congressional inquiries, and management alerts.	

**TABLE 9 – ADMINISTRATIVE INVESTIGATIONS
ACTIVITIES**

Cases Opened	59
Cases Closed	58
Cases Pending	153
Referred to Management	12
Closed	7
Pending	5
Referred to Criminal Investigations	3

**TABLE 10 – LEGAL ACTIVITIES AND
REVIEWS**

Freedom of Information Act Matters	23
Inspector General Subpoenas Issued	20
Regulations Reviewed	44

**TABLE 11 – CRIMINAL INVESTIGATIONS
ACTIVITIES**

Cases Opened ¹	119
Cases Closed	104
Cases Pending	343
Hotline Complaints Received	41
Referred to Audits or Investigations	19
Referred to Inspections and Assessments	20
Referred to NASA Management	0
Referred to Other Agencies	0
No Action Required	2
¹ During this reporting period, the Network and Advanced Technologies Protection Office received information on 51 additional computer intrusion cases that it did not have the resources to investigate.	

TABLE 12 – Criminal INVESTIGATIONS IMPACT

Indictments/ Informations	23
Convictions/Plea Bargains/ Pretrial Diversions	24
Cases Referred for Prosecution	45
Cases Declined	36
Cases Referred to NASA Management for Action	22
Cases Referred to Other Agencies for Action ¹	17
Suspensions/Debarments	2
Individuals	1
Firms	1
Administrative Actions	10
NASA Employees	2
Contractor Employees	8
Recoveries ²	\$10,641,208
Potential Impact ³	\$62,378,331
Total Investigations Dollar Impact	\$73,019,539
¹ Includes referrals to State, local and other Federal law enforcement agencies.	
² Includes administrative recoveries, fines and penalties, restitutions, settlements and judgements, and special assessments.	
³ Includes funds put to better use and potential cost impact.	

The Defense Contract Audit Agency (DCAA) provides various audit services to NASA on a reimbursable basis. The following summarizes information provided during this period by DCAA on reports involving NASA activities, results of NASA actions on those reports, and significant reports that have not been completely resolved.

DCAA Audit Reports Issued

During the period, DCAA issued 462 audit reports (excluding pre-award contractor proposal evaluations) on contractors who do business with NASA. DCAA also issued 169 reports on audits of NASA contractor proposals totaling \$6.2 billion, which identified cost exceptions totaling about \$201.4 million. These figures include proposals from several contractors bidding on the same contract; therefore, the total amount of exceptions is larger than the amount of potential savings to NASA.

NASA Actions

Corrective actions taken on DCAA audit report recommendations usually result from negotiations between the contractor and the Government contracting officer. The following tables show the number of DCAA audit reports and amounts of questioned costs and funds put to better use for the reporting period. During this period, NASA management resolved 106 reports with \$30,877,000 of questioned costs, and 78 reports with \$180,415,000 of funds put to better use. NASA management sustained 58.9 percent of DCAA's questioned costs and 26.2 percent of the funds put to better use.

TABLE 13 — DCAA AUDITS WITH QUESTIONED COSTS

	<u>Number of Audit Reports</u>	<u>Total Costs Questioned (In Thousands)</u>
No management decision made by beginning of period	343	\$205,557
Issued during period	87	\$ 24,416
Needing management decision during period	430	\$229,973
Management decision made during period:	106	\$ 30,877
amounts agreed to by management	—	\$ 18,177
amounts not agreed to by management	—	\$ 12,700
No management decision made by end of period:	324	\$199,096
No management decision prior to period and still unresolved at end of period	266	\$174,476
Reports issued during reporting period and unresolved at end of period	58	\$ 24,620

TABLE 14 — DCAA AUDITS WITH RECOMMENDATIONS FUNDS BE PUT TO BETTER USE

	<u>Number of Audit Reports</u>	<u>Total Costs Questioned (In Thousands)</u>
No management decision made by beginning of period	127	\$292,415
Issued during period	56	\$204,794
Needing management decision during period	183	\$497,209
Management decision made during period:	78	\$180,415
Amounts management agreed to by management	—	\$ 47,233
Amounts not agreed to by management	—	\$133,182
No management decision at end of period:	105	\$316,794
No management decision prior to period and still unresolved at end of period	60	\$117,368
Reports issued during reporting period and unresolved at end of period	45	\$199,426

Appendix C

DCAA AUDITS OF NASA CONTRACTORS

Significant Contract Audits

DCAA Assignment No.: 1201-199L21999165

Contractor: The Boeing Company

Action Office: NASA, Marshall Space Flight Center

DCAA Office: Huntsville Branch Office

The audit of a Boeing Company cost-plus-award-fee change proposal relating to the ISS for additions of \$264.9 million and deletions of \$274.2 million resulted in \$233,000 in fee savings related to offsite labor overhead rates. The Contracting Officer sustained the costs questioned during negotiations.

DCAA Assignment No.: 3231-1999Q10503002

Contractor: Cordant Technologies, Thiokol Propulsion

Action Office: Marshall Space Flight Center

DCAA Office: Salt Lake Valley Branch Office

The contractor agreed with the recommendations of an economy and efficiency audit of its inventory and small dollar purchasing operations and implemented changes to its existing processes. Based on a follow-up review, the auditors found that the implemented changes resulted in savings of \$8.6 million. Approximately 71 percent (\$6.1 million) of the savings are attributable to the Buy 4 Shuttle Motor Contract No. NAS8-97238, administered by NASA Marshall Space Flight Center.

DCAA Assignment No.: 4181-1999V10150002

Contractor: Allied Signal Aerospace

Action Office: DCMA Santa Ana, California

DCAA Office: Santa Ana Branch Office

The audit found that the contractor's system for identification and segregation of unallowable costs was flawed and that errors in the contractor's statistical sampling methodology and projection methods resulted in an overstatement of claimed costs by \$1.8 million. The auditor also identified \$327,000 in purchase discounts that had

not been credited to Government contract costs. The Defense Contract Management Agency (DCMA) sustained the \$2.1 million in questioned costs, resulting in savings of \$894,000 on Department of Defense flexibly-priced contracts and \$617,000 on NASA flexibly-priced contracts.

DCAA Assignment No.: 4461-1999A21000005

Contractor: Boeing Space and Communication

Action Office: NASA, Johnson Space Center

DCAA Office: Boeing Huntington Beach Resident Office

Boeing's firm-fixed price proposal in the amount of \$11.5 million was for the development and implementation of a Heavy Duty Launch Vehicle to support the Space Infrared Facility. The audit questioned \$202,000 of the proposed \$3.7 million subcontract costs and questioned \$76,000 in proposed labor overtime. During negotiations, Johnson Space Center sustained the entire \$278,000, which after application of the negotiated profit percentage, resulted in savings of \$306,000.

DCAA Assignment No.: 4901-1999P10100248

Contractor: California Institute of Technology

Action Office: Office of Naval Research

DCAA Office: San Gabriel Valley Branch Office

An audit concluded that although the California Institute of Technology complied with the Office of Management and Budget (OMB) A-133 requirements, claimed costs did not comply with OMB Circular A-21. NASA sustained \$1.5 million of the \$2.7 million cost questioned. The costs questioned included depreciation expense, fixed-equipment expenses, observatory equipment and supplies expenses, and Early Retirement Option costs. The Office of Naval Research negotiated the audit exceptions, which resulted in \$1.5 million in savings to NASA.

DCAA Assignment Nos.: 6121-1998U10250941, 6121-1998U10250006

Contractor: Raytheon Enterprise Management Systems

Action Office: NASA, Goddard Space Flight Center
DCAA Office: Alexandria Branch Office

The audit of a contractor's incurred cost submissions resulted in \$932,000 of savings to NASA. The audit found (1) award and related fringe benefit payments for employee services that were more properly classified as bid and proposal (B&P) costs and the B&P ceiling had already been exceeded for the period, and (2) claimed costs that the contractor could not adequately support with documentation.

DCAA Assignment Nos.: 6121-1997U10150095, 6121-1999T10150201, 6121-1998U10100408

Contractor: Raytheon STX

Action Office: NASA, Goddard Space Flight Center
DCAA Office: Alexandria Branch Office

The audit of Raytheon STX incurred cost submissions resulted in savings to NASA of \$1.7 million. The audit found that:

- Allocation of project-specific other direct costs was in noncompliance with disclosed accounting practices resulting in \$793,000 of excess charges to NASA contracts.
- Some contracts contained ceilings on the overhead rates that were based on a prior accounting practice resulting in the contractor not being permitted to recover costs that would have been unallowable due to overhead ceilings.
- Incurred cost submission erroneously included \$421,000 of cost from unallowable or non-billable accounts that were charged direct to NASA contracts.

- \$492,782 of unallowable and unallocable costs were allocated indirectly to NASA contracts. Most significant issues comprising this amount included Bid and Proposal costs in excess of the ceiling based on the provisions in FAR 31.205-18(c)(2)(i), lump sum payments made to employees for a portion of their leave accrued with a prior employer that is unallocable in accordance with FAR 31.201-4, and contributions and donations expressly unallowable per FAR 31.205-8

DCAA Assignment Nos.: 6331-1995C10100461, 6331-1996C10100461, 6331-1997C10100461, 6331-1998C10100461 6331-1999C10100461, 6331-2000C10100006

Contractor: Jorge Scientific Corporation

Action Office: NASA, Goddard Space Flight Center
DCAA Office: Roslyn Branch Office

The audit of Jorge Scientific Corporation's incurred cost submissions resulted in \$976,000 of questioned cost (\$683,000 of direct cost and \$293,000 of indirect costs). Of the \$976,000 of questioned costs, 60% or \$586,000 relates to NASA contracts. The direct costs were questioned because the contractor did not credit registration fees to the contract as required, claimed costs exceeding the contract ceiling, and included costs that it could not adequately support with documentation. The indirect costs were questioned because the contractor included unreasonable and/or unallowable auto, legal and entertainment expenses. The contractor also did not reduce its overhead for the Government's applicable share of other income relating to other claimed allowable costs. The contractor agreed with the questioned cost.

Glossary

ADMINISTRATIVE INVESTIGATION

Inquiry involving non-criminal allegations of administrative wrongdoing.

DISALLOWED COST

A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

EXCEPTIONS SUSTAINED

(DCAA definition) Costs which were questioned by auditors and which agency management has agreed are ineligible for payment or reimbursement. Ineligibility may occur for any number of reasons such as: (1) a lack of satisfactory documentation to support claims, (2) contract provisions, (3) public law, and (4) Federal policies or regulations.

FINAL ACTION

(P.L. 100-504 definition) The completion of all actions management has concluded, in its decision, that are necessary with respect to the findings and recommendations included in an audit report; and in the event that management concludes no action is necessary, final action occurs when a management decision has been made.

INVESTIGATIVE RECOVERIES

Investigations by the OIG that may result in the recovery of money or property of the Federal Government. The amounts shown represent: (1) the recoveries which management has committed to achieve as the result of investigations during the reporting period; (2) recoveries where a contractor, during the reporting period, agrees to return funds as a result of investigations; and (3) actual recoveries during the reporting period not previously reported in this category. These recoveries are the direct result of investigative efforts of the OIG and are not included in the amounts reported as the result of audits or litigation.

INVESTIGATIVE REFERRALS

Cases that require additional investigative work, civil or criminal prosecution, or disciplinary action. These cases are referred by the OIG to investigative and prosecutive agencies at the Federal, State, or local level, or to agencies for management or administrative action. An individual case may be referred for disposition in one or more of these categories.

LATEST TARGET/CLOSURE DATE

Management's current estimate of the date it will complete the agreed-upon corrective action(s) necessary to close the audit recommendation(s).

MANAGEMENT DECISION

(P.L. 100-504 definition) The evaluation by management of the findings and recommendations included in an audit report and the issuance of a final decision by management concerning its response to such findings and recommendations, including actions concluded to be necessary.

NET SAVINGS

(DCAA definition) Costs determined by DCAA for which expenditures would have been made if the exceptions were not sustained. For incurred costs, this category represents the Government's participation in costs questioned sustained. For successful fixed-price contractor proposals, it represents costs questioned sustained plus applicable profit. For successful cost reimbursement contractor proposals, net savings represents only the applicable estimated fee associated with the costs questioned sustained.

PROSECUTIVE ACTIVITIES

Investigative cases referred for prosecutions that are no longer under the jurisdiction of the OIG, except for cases on which further administrative investigation may be necessary. This category represents cases investigated by the OIG and cases jointly investigated by the OIG and other law enforcement agencies. Prosecuting agencies will make decisions to decline prosecution, to refer for civil action, or to seek out-of-court settlements, indictments, or convictions. Cases declined represent the number of cases referred that are declined for prosecution (not including cases that are settled without prosecution). Indictments and convictions represent the number of individuals or organizations indicted or convicted (including pleas and civil judgments).

QUESTIONED COST

(P.L. 100-504 definition) A cost that is questioned by the OIG because of: (1) alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

QUESTIONED COSTS FOR WHICH A MANAGEMENT DECISION HAS NOT BEEN MADE

Costs questioned by the OIG about which management has not made a determination of eligibility for reimbursement, or about which there remains disagreement between the OIG and management. All agencies have formally established procedures for determining the ineligibility of costs questioned.

Appendix D

Glossary and Acronyms

This process takes time; therefore, this category may include costs that were questioned in both this and prior reporting periods.

RECOMMENDATION RESOLVED

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

RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

(P.L. 100-504 definition) A recommendation by OIG that funds could be more efficiently used if management took actions to implement and complete the recommendation, including: (1) reductions in outlays; (2) deobligation of funds from programs or operations;

(3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee; (5) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or (6) any other savings which are specifically identified. (Note: Dollar amounts identified in this category may not always allow for direct budgetary actions, but generally allow the agency to use the amounts more effectively in accomplishment of program objectives.)

UNSUPPORTED COST

(P.L. 100-504 definition) A cost that is questioned by OIG because OIG found that, at the time of the audit, such cost is not supported by adequate documentation.

Acronyms

ATM	Automated Teller Machine	JPL	Jet Propulsion Laboratory
B&P	Bid and Proposal	LDE	Lifting Devices and Equipment
CCD	Computer Crimes Division	NASA	National Aeronautics and Space Administration
CSOC	Consolidated Space Operations Contract	NATPO	Network and Advanced Technologies Office
DCAA	Defense Contract Audit Agency	NEPA	National Environmental Protection Act
DCMA	Defense Contract Management Agency	OA	Office of Audits
DoD	Department of Defense	OIAIA	Office of Inspections, Administrative Investigations, and Assessments
DoJ	Department of Justice	OCI	Office of Criminal Investigations
ECIE	Executive Council on Integrity and Efficiency	OIG	Office of Inspector General
EVM	Earned Value Management	OMB	Office of Management and Budget
FAR	Federal Acquisition Regulation	PCIE	President's Council on Integrity and Efficiency
FR	Federal Register	PDD	Presidential Decision Directive
GISRA	Government Information Security Reform Act	P.L.	Public Law
IG	Inspector General	PFA's	Plastic Films, Foams, and Adhesives
IPAO	Independent Program Assessment Office	U.S.	United States
ISS	International Space Station	USA	United Space Alliance
IT	Information Technology		
ITS	Information Technology Security		
IV&V	Independent Verification and Validation		

