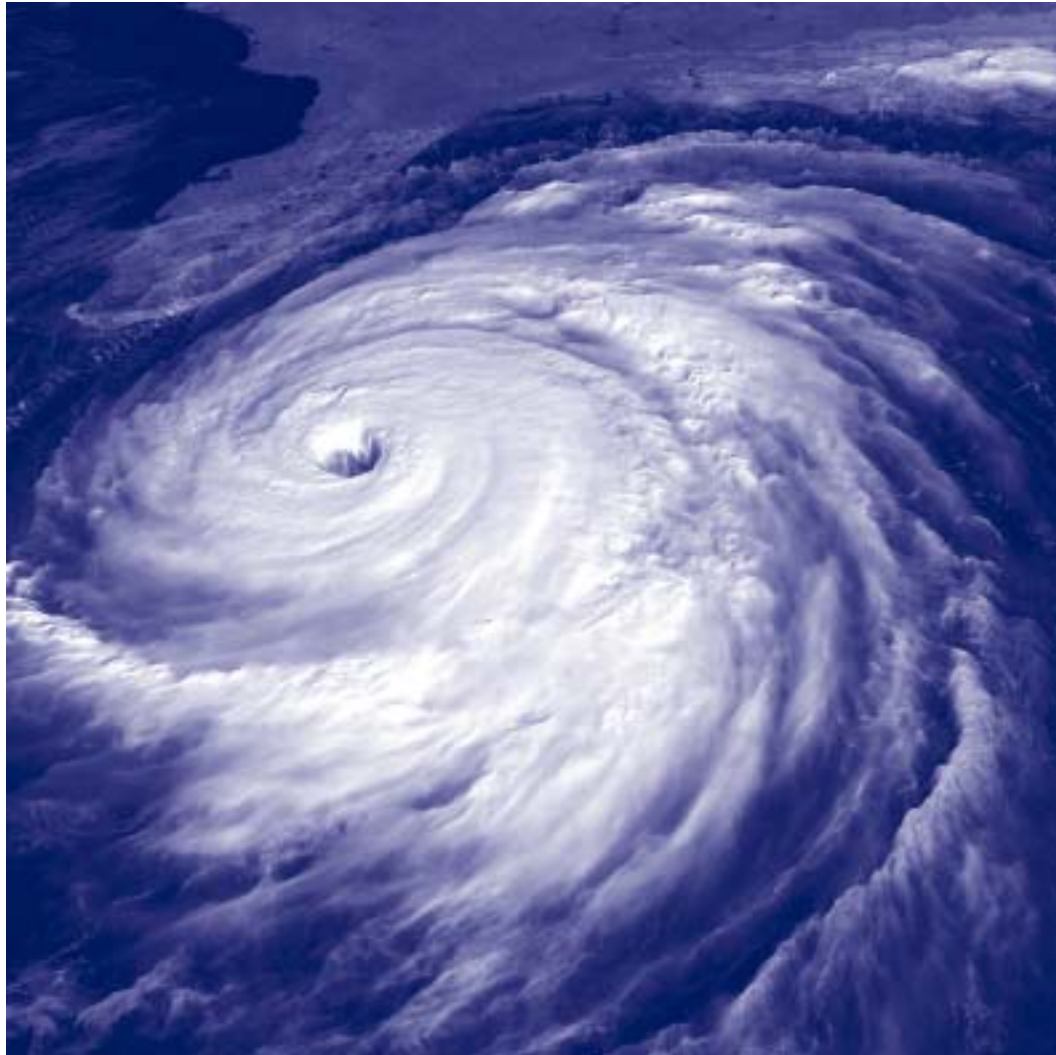
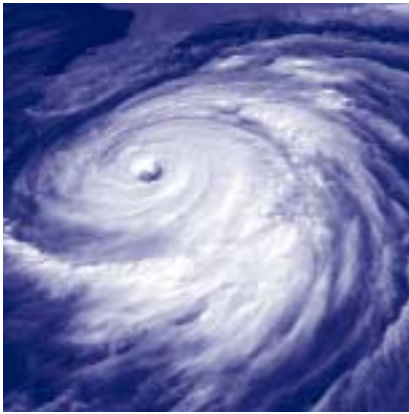




National Aeronautics and
Space Administration

Semiannual Report
Office of Inspector General
April 1, 2002–September 30, 2002





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NASA Office of Inspector General
Code W
300 E Street SW
Washington, DC 20546-0001
Tel: 202-358-1220

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The IG Act protects Government employees from reprisals or retaliation by their employers for reporting to the OIG. Although as a Hotline caller you may remain anonymous, we encourage you to provide us with your contact information. The ability to gather additional information from Hotline callers is often key to effectively pursuing allegations.

FRONT COVER:

Hurricane Floyd off the east coast of Florida, September 14, 1999.
Credit: Data from National Oceanic and Atmospheric Administration (NOAA) Geostationary Operational Environmental Satellite (GOES). Images produced by Hal Pierce, Laboratory for Atmospheres, NASA Goddard Space Flight Center.

Floyd was a large and intense Cape Verde hurricane that pounded the central and northern Bahama Islands, seriously threatened Florida, struck the coast of North Carolina, and moved up the East Coast of the United States into New England. It neared the threshold of category-five intensity on the Saffir/Simpson Hurricane Scale as it approached the Bahamas and produced a flood disaster of immense proportions in the eastern United States, particularly in North Carolina. Real-time weather data gathered by the GOES (a series of environmental satellites developed, launched, and operated through a partnership between NASA and NOAA), combined with data from Doppler radars and automated surface-observing systems, helps weather forecasters provide better warnings of severe weather.

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From the Inspector General

The issuance of this semiannual report coincides with the conclusion of my first half year as NASA's Inspector General (IG). During this period, I implemented a number of changes to the Office of Inspector General (OIG) organization and priorities, and worked on improving OIG effectiveness through enhanced coordination with NASA management on key issues.

Changes to the OIG

I made two important structural changes to the office's organization. First, I reintroduced the position of Deputy Inspector General and hired Tom Howard to fill this position. Tom brings the office considerable experience from his 4 years at the Department of Transportation's OIG and 24 years at the General Accounting Office. Second, I moved the Computer Crimes Division back into the Office of Investigations to promote a unified approach to law enforcement among our Special Agents. Lance Carrington was selected to fill the vacant position of Assistant Inspector General for Investigations. Lance has been with the NASA OIG Office of Investigations for 14 years, previously serving as Resident Agent-in-Charge at Goddard Space Flight Center, Special Agent-In-Charge of the OIG Northeast Field Office, and Special Agent-In-Charge of the OIG Central Field Office.

In this semiannual period, the office also has undergone subtler changes in how it is managed. I am emphasizing across all OIG disciplines the objective of delivering products that have a significant and positive impact on Agency programs and operations. This overall goal is being highlighted in strategic planning activities led by the Deputy Inspector General. These strategic planning efforts will decide how the OIG can best meet the mandates of the IG Act and other laws, the President's Management Agenda, and initiatives from Congress, all with a mind to the ultimate objective of maximizing the OIG's positive impact on the Agency.

In my view, the OIG can have the positive impact it seeks only through highly integrating the audit, investigation, and inspection disciplines. To foster this integration, I have established crosscutting teams in three critical areas: procurement, information technology (IT) security, and safety. The Deputy Inspector General leads the procurement and safety teams, and David Cushing, Assistant Inspector General for Inspections and Assessments, leads the IT security team. This semiannual report reflects the OIG's integrated approach by categorizing reports of our activities by subject matter rather than by discipline.

In the investigations area, I am emphasizing the development of major cases with an impact on NASA programs and operations. For example, this report describes five investigations that resulted in the indictment and sentencing of contractors who sent untested and falsely certified aircraft and spacecraft parts to NASA and other Government agencies. These investigations exemplify the positive impact that the OIG can have on NASA and the Nation.

Similarly, with respect to audit, inspection, and assessment activities, we will work to deploy our limited resources to maximize the OIG's positive impact. Achieving this goal requires that we focus the office's audit, inspection, and assessment activities on issues that are fundamental to the successful execution of NASA's mission. Audits will focus

less on compliance and more on whether and how any failure to comply with requirements has impeded the execution of the Agency's mission. I am less concerned with the numbers of audits, inspections, and assessments we conduct or the numbers of recommendations that we make than with the impact our work can have on the fulfillment of the Agency's mission.

Key Issues

One area of concern during this semiannual period has been the Chief Financial Officer financial statement audit, which is being conducted by PricewaterhouseCoopers (PwC) under contract to the OIG. This audit has presented a challenge to the PwC auditors, to NASA management, and to the OIG due to the complexity of NASA's organization and mission, and the Agency's lack of an integrated financial management system. (NASA is now beginning to implement an integrated financial management system, and the OIG and the General Accounting Office are closely monitoring its development.) The OIG is helping to facilitate the financial statement audit by ensuring that senior NASA management is kept closely apprised of the audit's status and, particularly, of any difficulty PwC auditors encounter in obtaining necessary information. NASA senior management has been responsive to concerns raised and has proactively sought to ensure that PwC gets the information it needs to conduct the audit. Because of the importance of the financial management issues, we have sought to keep the Office of Management and Budget, the General Accounting Office, and congressional staff aware of our views as to the Agency's progress in this audit.

During this reporting period, NASA management has taken positive steps to improve its responsiveness to OIG recommendations. In particular, NASA's new Deputy Administrator, Fred Gregory, has aggressively sought resolution and closure of unresolved audit and inspection recommendations. This attention has resulted in audited and inspected Agency programs taking numerous actions to respond to OIG concerns. In addition, it has caused the OIG to reevaluate some recommendations that had been overtaken by events and to generally reflect on our responsibility to issue recommendations that are clear, reasonable, and effective in bringing about important change to Agency operations that are inefficient, uneconomical, or not operating in accordance with legal requirements.

Another important area where management is taking positive steps is in IT security. For several years, the OIG has been a vocal advocate for improvement to NASA's IT security environment, and, because the OIG has developed substantial expertise in the IT area, we are in a position to provide independent critiques of plans and programs under consideration by NASA's IT management. NASA is currently making sweeping changes to the Agency's IT architecture and security environment. The OIG IT team has been monitoring these changes, and NASA management has committed to keeping the OIG apprised of new developments.

This semiannual report fairly summarizes the activities of the NASA OIG during the reporting period.

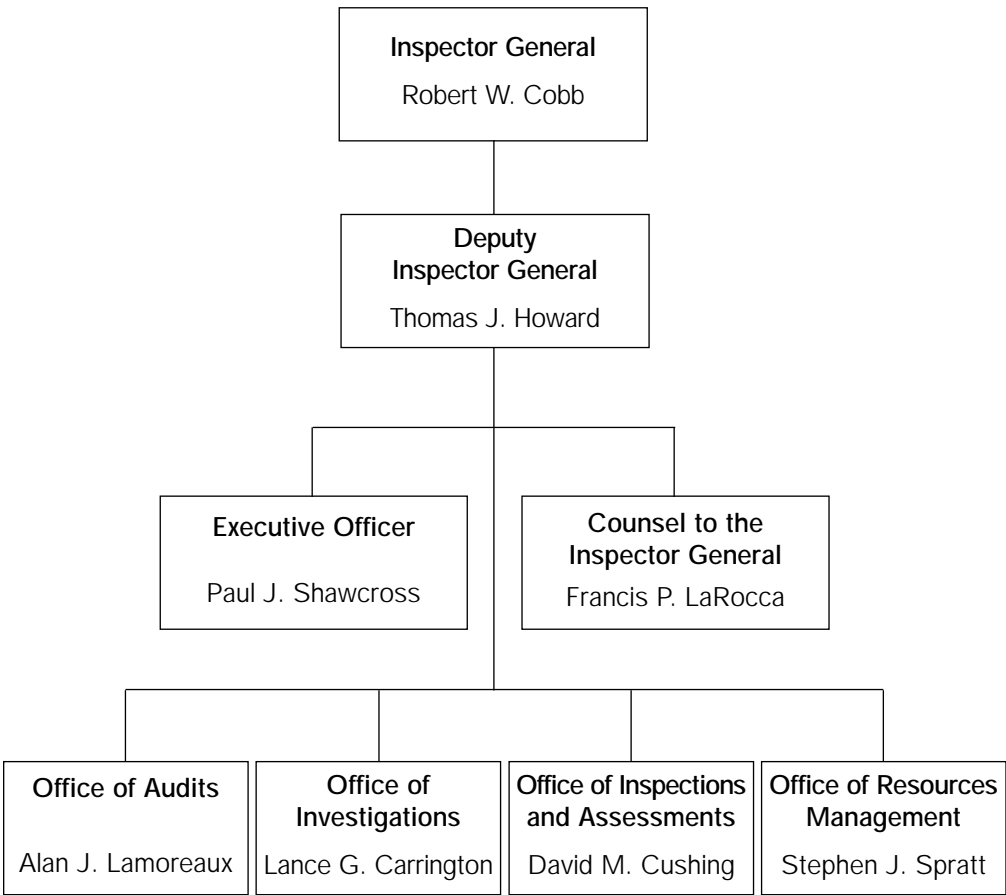


Robert W. Cobb
Inspector General

Organization

NASA OFFICE OF INSPECTOR GENERAL

THE NASA OFFICE OF INSPECTOR GENERAL (OIG) conducts audits, inspections, and investigations to prevent and detect waste, fraud, abuse, and mismanagement, and to assist NASA management in promoting economy, efficiency, and effectiveness. In fiscal year (FY) 2002, the OIG's \$23.7-million budget supported the work of approximately 200 auditors, inspectors, investigators, analysts, and support staff.



INSPECTOR GENERAL Robert W. Cobb provides policy direction and leadership for the NASA OIG. The Deputy Inspector General serves as the alternate to the Inspector General and participates in the development and direction of the diverse audit, investigative, and evaluative functions of the 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.

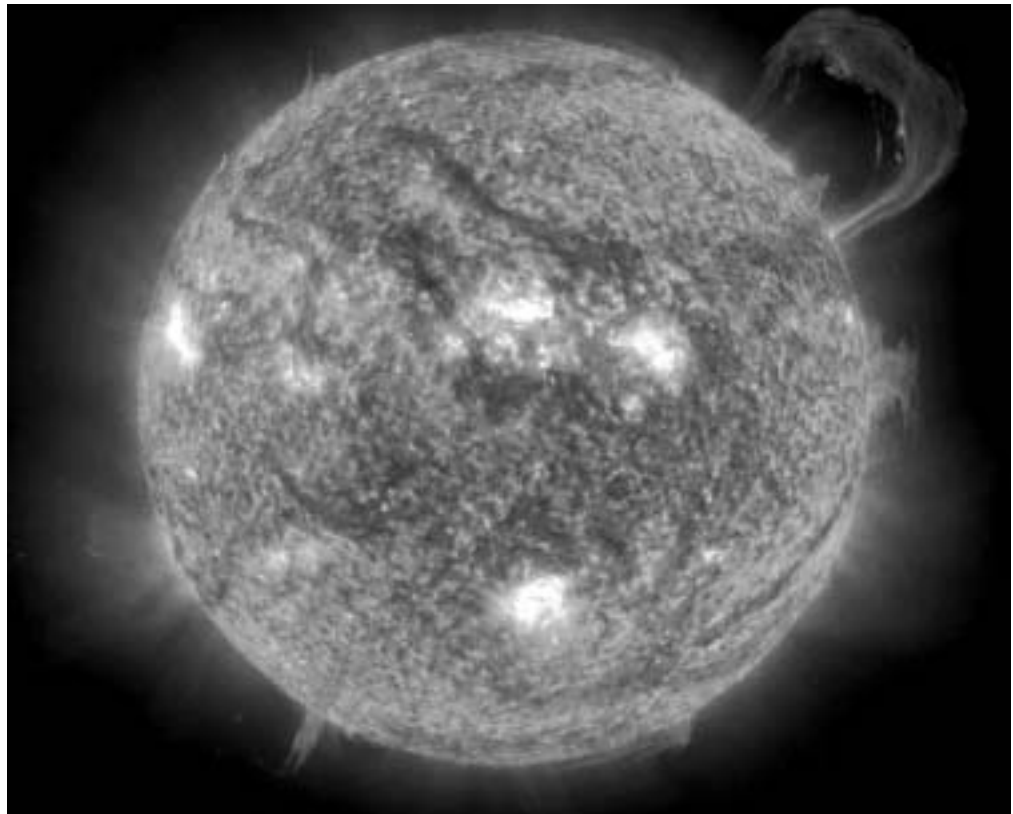
THE OFFICE OF AUDITS (OA) conducts independent, objective audits and reviews of NASA and NASA contractor programs and projects to improve NASA operations. The OA conducts a broad range of professional audit and advisory services, comments on

NASA policies, and is responsible for oversight of NASA audits performed under contract or by other Federal agencies. The OA helps NASA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the efficiency and effectiveness of NASA operations by deterring fraud, crime, waste, and abuse.

THE OFFICE OF INSPECTIONS AND ASSESSMENTS (OIA) provides independent, objective inspections and assessments of the effectiveness, efficiency, economy, and integrity of NASA's programs and activities. The OIA also conducts focused reviews of specific management issues. The office provides special emphasis on NASA information technology security, procurement, and human resources. In addition to conducting reviews in these areas, the OIA offers technical support to the other OIG divisions.

THE OFFICE OF INVESTIGATIONS (OI) identifies, investigates, and refers for prosecution cases of crime, waste, fraud, and abuse in NASA programs and operations. Through its investigations, the OI also seeks to prevent and deter crime at NASA. The OI's Computer Crimes Division, which was transferred to OI this period, performs criminal and cyber investigations in response to attacks against NASA's information technology systems, investigates criminal misuse of NASA computers, performs forensics analysis of computer media, and is a leader in the development of law enforcement computer hardware and software. The OI's Administrative Investigations Unit investigates matters of a noncriminal nature involving NASA's civil servant and contractor employees.

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.



A handle-shaped cloud of plasma erupts from the sun.

Significant Audits, Inspections, and Investigations

SELECTED NOTEWORTHY ACTIVITIES

Audit of Space Launch Initiative Requirements

NASA's Space Launch Initiative is a \$4.85-billion, 5-year program intended to substantially reduce technical and business risks associated with developing safe and reliable reusable launch vehicles (RLVs), and providing affordable launch operations. Our audit, *Space Launch Initiative: Primary Requirements for a 2nd-Generation Reusable Launch Vehicle* (IG-02-028), found that NASA approved the Level 1 requirements for the Space Launch Initiative without substantiating them or verifying that they were appropriate and viable. As a result, the requirements may not be valid or achievable. Invalid or unachievable Level 1 requirements can jeopardize the development of appropriate lower-level requirements, cause an inappropriate architecture selection, lead to cost and schedule growth, and produce a launch vehicle that is not commercially viable. We recommended that NASA promptly perform analyses to support the validation or revision of the Level 1 requirements for the 2nd-Generation RLV Program. In addition, we recommended that NASA take steps to ensure that future proposed requirements are documented, validated, appropriate, and reasonably achievable within available resources. NASA management concurred with our recommendations.

This report is available on the Web at

<http://www.hq.nasa.gov/office/oig/hq/ig-02-028.pdf>

Audit of Space Station Bartering Agreements

NASA barter with the international partners in the International Space Station (ISS) Program to obtain ISS hardware elements in exchange for goods and services (e.g., transportation on the Space Shuttle). We performed an audit, *Barter on the International Space Station Program* (IG-02-024), to evaluate NASA's management of ISS Program barter. Specifically, we wanted to determine whether NASA would receive adequate consideration for the goods and services it would provide, and whether NASA properly accounted for offset transactions and complied with bartering agreements. Our audit found that NASA has complied with bartering agreements, but has not maintained adequate documentation to support its estimates of bartered item values. As a result, we could not determine whether NASA would receive adequate consideration for the goods and services the Agency would provide. Additionally, we found that NASA had not properly accounted for bartered property the Agency had received. Consequently, NASA's liabilities are understated by as much as \$335 million, and the Agency may be improperly accounting for an additional \$1.2 billion of bartered property. Management concurred with our recommendations to establish procedures for documenting the value estimates developed during barter negotiations. The Agency also will establish accounting policies and procedures for barter transactions.

Stolen Moon Rocks Investigation

In a case that received national media attention, three students participating in the cooperative employment program at NASA's Johnson Space Center (JSC) were arrested and charged with conspiracy to commit theft of U.S. Government property and transportation in interstate commerce of stolen property. The students allegedly stole priceless lunar samples from JSC. In a joint investigation conducted by the OIG and the

Federal Bureau of Investigation (FBI), agents communicated via e-mail with an individual who was offering for sale what was represented as the world's largest private and verifiable collection of moon rocks collected during the Apollo missions. The e-mail exchanges culminated in a meeting in Orlando, FL, where the three students were arrested, and the lunar samples in their possession were recovered. In Houston, TX, a fourth individual was arrested and charged with conspiracy, leading to the recovery of the remaining lunar and meteorite samples. Prosecution of the individuals is pending.

Procurement

During FY 2001, NASA procured over \$12.7 billion in goods and services, accounting for more than 90 percent of the Agency's total obligations. With such a large percentage of the Agency's budget expended through contracts and other procurement vehicles, effective and efficient procurement practices are critical to NASA's success in achieving its overall mission. NASA OIG audits, inspections, and investigations seek to improve the Agency's procurement practices and to prevent and detect procurement fraud.

Audit of Contract Audit Followup System

NASA uses the services of the Defense Contract Audit Agency (DCAA) to audit contractors, educational institutions, and nonprofit organizations that receive NASA grants and contract awards. NASA is required to have an audit followup system to assure the prompt and proper resolution and implementation of audit recommendations. Our audit, *NASA's Contract Audit Followup System* (IG-02-027), found that where NASA was responsible for resolving and dispositioning DCAA audit reports, NASA contracting officers were much less effective than the Department of Defense (DOD) in recovering costs questioned by DCAA reports. Specifically, for 33 DCAA incurred costs, claims, and cost accounting standards audit reports closed during FYs 1999–2001, NASA contracting officers only recovered \$14.9 million (19 percent) of the \$78.6 million in costs that DCAA had questioned. During this same period and for the same types of reports, DOD contracting officers were able to recoup 54.4 percent of the costs questioned by the DCAA. Further, NASA's net savings have significantly declined over the last three years. We estimated that if NASA's contracting officers had been as effective as the DOD in recovering costs questioned in DCAA reports, NASA would have recovered an additional \$28 million. We also found that when NASA delegated resolution and disposition authority to the DOD, NASA contracting officers did not adequately monitor DCAA Reportable Contract Audit reports on major NASA contractors and, therefore, could not ensure that audit recommendations were resolved in a timely manner or determine whether the resolutions were in NASA's best interest. We recommended that NASA improve its procedures for preparing for, conducting, and documenting negotiations of questioned costs from contract audits and improve its procedures for tracking and monitoring the resolution of such questioned costs. Management concurred with all the recommendations, and the proposed or completed corrective actions were responsive.

This report is available on the Web at
<http://www.hq.nasa.gov/office/oig/hq/ig-02-027.pdf>

Audit of Peer Review of NASA Grants and Cooperative Agreements

Our audit, *Management of Research Grants and Cooperative Agreements* (IG-02-017), found that NASA appropriately performed peer reviews on solicited proposals for research grants and cooperative agreements prior to award. However, the unsolicited proposals only received a technical/merit review prior to award—a peer review was not required. We also found that although NASA generally complied with key requirements

for the solicitation and award of grants, the Agency should improve procurement file documentation to ensure that awards are reasonably justifiable and comply with Federal civil rights requirements. NASA also needs to take action to ensure that grantees submit financial reports in a timely manner. NASA concurred with our recommendations that the Agency:

- Use peer reviews for all research proposals, including unsolicited proposals.
- Make existing policies more specific and consistent with Federal and NASA requirements on maintaining peer review documentation in the procurement file.
- Improve the timeliness of the grantees' financial reporting.
- Revise the *Grant and Cooperative Agreement Handbook* to reflect Financial Management Manual requirements.

This report is available on the Web at

<http://www.hq.nasa.gov/office/oig/hq/ig-02-017.pdf>

Assessment of NASA's Contract Surveillance

To facilitate effective contract surveillance, Federal procurement regulations require agencies to develop Quality Assurance Surveillance Plans (QASPs) for all service contracts. A QASP is used to measure contractor performance and to ensure that the Government receives the quality of services called for under the contract and pays only for the acceptable level of services received. Our assessment, *Review of Performance-Based Service Contract Quality Assurance Surveillance Plans* (G-02-011), found several weaknesses related to NASA's use of QASPs as part of the contract surveillance function. Our findings demonstrated the need for improved development, content, and utilization of QASPs; more systematic and better documented contract surveillance; and an increased emphasis on refresher training for designated Contracting Officer's Technical Representatives (COTRs). We made two recommendations to the NASA Office of Procurement to clarify and improve Agency guidance, and three recommendations to the NASA Centers to improve QASP training for COTRs. NASA management concurred with our recommendations and has planned or taken appropriate corrective actions.

This report is available on the Web at

<http://www.hq.nasa.gov/office/oig/hq/inspections/g-02-011.pdf>

Audit of Adherence to Small Business Rules

The NASA Safety Reporting System (NSRS) is a confidential, voluntary, and responsive system that allows NASA employees and contractors to report safety hazards affecting NASA-related activities. In 1994, NASA determined that pursuant to the Small Business Act, the NSRS could be operated by a small business. Our audit, *Contracting Issues Associated with the NASA Safety Reporting System* (IG-02-021), evaluated whether NASA and the NSRS contractor complied with contract requirements. We found that after ownership of the NSRS contractor transferred to a company ineligible to participate in the Small Business Administration's (SBA) 8(a) Business Development Program, NASA did not promptly act on the SBA's recommendation to terminate the NSRS contract. NASA's actions were not in compliance with the Small Business Act, Small Business Regulations, and Federal Acquisition Regulation requirements; the lack of contract termination denied 8(a) opportunities to eligible, disadvantaged small businesses. We also found that

NASA's use of a cost-reimbursement contract for the initial and follow-on small business contracts may not be cost-effective. We made two recommendations to ensure a smooth transition of the NSRS to a new NSRS contract or other reporting system. In addition, we recommended that NASA reemphasize to procurement personnel the requirements of the 8(a) program. Finally, we recommended that NASA award a fixed-price contract for the NSRS or consider potentially more cost-effective alternatives. NASA concurred or partially concurred with the recommendations and has completed corrective actions that we considered responsive.

This report is available on the Web at
<http://www.hq.nasa.gov/office/oig/hq/ig-02-021.pdf>

Investigations of NASA Contractor Fraud

During this semiannual period, the OIG focused investigative resources to detect and eliminate false claims, procurement irregularities, and fraud schemes that unduly inflate the costs of Government programs and negatively impact NASA's financial performance. The OIG is conducting numerous investigations into allegations of financial wrongdoing, some of which resulted in the following legal actions during this semiannual period:

- The president of Giuliani Associates, Incorporated, a NASA contractor, pled guilty to one count of providing a false statement to NASA. He was placed on 3 years of supervised probation and ordered to pay a \$5,000 fine and a \$100 special assessment. He also paid \$198,000 in restitution to the victims. NASA had awarded a fixed-price construction contract to Giuliani for the construction of new water lines and the rehabilitation of existing lines at Wallops Flight Facility, VA. From December 1997 to October 1998, Giuliani's president submitted to NASA progress payment requests certifying that all payments had been or would be made to Giuliani's subcontractors. However, the subcontractors were never fully paid.
- Tanknology NDE, Incorporated, Austin, TX, pled guilty to 10 felony counts of making false statements and submitting false claims to the Government. Tanknology, the largest underground storage tank testing company in the United States, admitted that from 1997 to 1999, company personnel falsely certified that they had performed tests required under the Underground Storage Tank Amendments to the Resource Conservation and Recovery Act, and the Clean Air Act. These tests are required to ensure underground tanks are not leaking any product into soil or groundwater and that petroleum vapors are not released into the ambient air. The falsified test certifications affected Federal facilities across the country, including NASA's Kennedy Space Center, Marshall Space Flight Center, and White Sands Test Facility.

Information Technology Security

Audits and Inspections of Information Technology Security

Throughout the year, the OIG continued to focus on NASA's effectiveness in implementing information technology security (ITS) policies, procedures, and practices. We also continued to review the Agency's progress in protecting its critical physical and cyber-based infrastructure. The OIG summarized its FY 2002 ITS work, including 16 inspections and audits either completed or underway during this semiannual period, in our report, *Government Information Security Reform Act—The 2002 Report from the Office of Inspector General (IG-02-026)*. Overall, we reported significant policy and procedure deficiencies in NASA's ITS program and determined that ITS continues to be a material internal control weakness for NASA. Other notable ITS reports released during this period include:

- Our *Assessment of the Management and Control of Authentication Tokens at [a NASA Facility]* (G-02-009) reviewed a NASA facility's use of authentication tokens. Authentication tokens are encryption devices that are used in combination with personal identification numbers and passwords to log onto protected IT systems. We conducted an assessment of a NASA facility's use of these tokens to determine whether authorized users were the only individuals with access to IT systems. We identified several problems with the management and control of the tokens. NASA management was responsive to our 12 recommendations to enhance the management and control of the tokens, and to increase IT security.
- Our *Assessment[s] of Information Technology Security Vulnerabilities at [Two NASA Centers]* (G-01-011, G-02-012) found that one Center had a well-managed, proactive, and coordinated ITS stance, but the second Center, though improved, requires more staff and other resources to sufficiently address ITS. Both Centers have developed best practices that should be considered models for other installations. NASA management concurred with all of our recommendations for improvement.
- Our audit, *NASA's Implementation Activities for Critical Cyber-Based Infrastructure Assets—Phase II* (IG-02-029), reviewed ITS plans at three NASA Centers collectively responsible for more than half of the Agency's total critical cyber-based infrastructure assets. We found that the Chief Information Officers (CIOs) at two Centers had not sufficiently reviewed all of their respective Center ITS plans, and these two Centers erroneously reported approval of the plans to the NASA CIO. One Center CIO approved plans that did not adequately describe the results of related risk assessments. In addition, although the Centers identified necessary changes to NASA's list of critical physical and cyber-based infrastructure assets, they had not initiated actions to affect the changes. We recommended that NASA and Center CIOs take action to remedy these problems, and NASA management concurred with our recommendations.

These reports are not available on the Web.

Computer Crimes Investigations

Computer crimes threaten the security of our Nation's information technology infrastructure. OIG investigative work during this period (often in concert with other law enforcement agencies) resulted in the following arrests, guilty pleas, and sentencing of perpetrators who misused computer services for unauthorized or illegal purposes:

- Fourteen members of the "Reservoir Dogs" hacking group were arrested in Italy for allegedly compromising several U.S. Government computer systems. These arrests represented the culmination of a 10-month joint investigation involving the NASA OIG, the Army Criminal Investigation Command, the Naval Criminal Investigative Service, the Secret Service, and Italian law enforcement authorities. NASA OIG investigators traced the intrusions back to their source in Italy and eventually identified all known members of this internationally infamous hacking group.
- Two individuals who used the stolen identities of various victims, including those of civil servants from NASA Langley Research Center, to obtain fraudulent credit cards pled guilty to charges of conspiracy and possession and use of unauthorized credit card numbers. The individuals had used the fraudulent cards to purchase merchandise over the Internet.

- A former NASA contractor employee at NASA's Independent Verification and Validation Facility in Fairmont, WV, was sentenced to 6 months of home confinement and 3 years of supervised probation for transmitting communications containing threats to injure the persons of others.

Safety

NASA performs some of the most technologically complex tasks of any organization in the world. Programs such as the International Space Station and the Space Shuttle present enormous engineering challenges with inherent dangers and significant safety risks. The Agency has committed to an operational environment where safety is a top priority, and OIG audits, inspections, and investigations are directed toward the goal of improving safety at NASA.

Audit of Safety Oversight at Kennedy Space Center

The United Space Alliance (USA), a joint venture of The Boeing Company and Lockheed-Martin, is responsible for the contracted tasks associated with the processing and flight preparation of the Space Shuttle fleet. Our audit, *NASA Oversight of United Space Alliance's Safety Procedures at the John F. Kennedy Space Center* (IG-02-018), evaluated USA's safety procedures. We found that Kennedy Space Center did not provide direct safety oversight of USA's ground operations or integrated logistics as spelled out in USA's Space Flight Operations Contract (SFOC), but rather obtained "insight" into USA's safety operations through surveillance and audits. We also found that USA inappropriately used some ground support equipment at Kennedy prior to completing required analyses to ensure that all hazards associated with that equipment were properly controlled. Further, when we reviewed a specific operation at Kennedy involving payload removal from an orbiter vehicle, we found no evidence that USA performed some required critical safety procedures. We recommended NASA ensure that:

- SFOC safety requirements and actual Kennedy safety procedures are consistent.
- NASA review USA processes for implementing Space Shuttle Program requirements related to the approval and use of ground support equipment in critical applications.
- USA's safety procedures for future payload installation and removal operations are properly implemented and documented.
- USA implements all safety requirements associated with safety analyses and payload removals.

NASA concurred with five of the seven recommendations and has taken or planned corrective actions that we consider responsive for all seven recommendations.

This report is available on the Web at
<http://www.hq.nasa.gov/office/oig/hq/ig-02-018r.pdf>

Investigations of Contractors Who Jeopardize Safety with Counterfeit Parts

Safety is a major priority at NASA, and contractors who try to defraud the Government by cutting corners on parts manufacturing and testing endanger the safety of the public, Federal employees, and high-cost equipment and facilities. During this semiannual period, OIG investigations into product substitution, counterfeit parts, and false certifications of parts, often conducted in concert with other law enforcement agencies,

resulted in arrests and indictments. Some of the cases are still pending, and others have resulted in convictions and restitution to the Government.

- In a case led by the Naval Criminal Investigative Service, Lockheed Martin Corporation and BAE Systems Controls agreed to pay the United States \$6.2 million to settle a civil liability relating to the manufacture of accelerometer sensor assemblies that did not comply with the contractual requirements for electromagnetic interference under NASA and the Navy's High Angle-of-Attack Technology Program. The Government will receive \$5 million of the settlement.
- Chromalloy Gas Turbine Corporation agreed to pay \$150,000 for acts relating to the improper certification of aircraft engine balancing tests. The tests were conducted at Chromalloy's former subsidiary, Caval Tool Company of Newington, CT. Although Chromalloy did not acknowledge a violation of law, the company agreed to a \$150,000 settlement, of which the Government will receive \$120,000.
- Key Enterprises, Incorporated, a NASA contractor, and Key's Chief Executive Officer were charged with making a false statement. Allegedly, the company improperly certified repair work conducted on Pratt & Whitney JT8D combustion chambers provided to the commercial airline industry and the DOD. The combustion chambers are supplied to NASA through DOD supply channels.
- A Federal Grand Jury indicted NASA subcontractor RAM Enterprises, Incorporated, RAM's president, and RAM's quality manager for conspiracy and for making false statements to the U.S. Government. Allegedly, the company stamped unapproved and counterfeit electrical contacts with another manufacturer's logo and physically altered other electrical contacts to resemble approved components. The counterfeit contacts were allegedly used in NASA's International Space Station, various DOD aircraft weapon systems, and commercial land and sea generators.
- The president of Western Coupling Corporation, a NASA and DOD subcontractor, was indicted and arrested for mail fraud and for violating the Aircraft Safety Act of 2000. The company allegedly improperly manufactured hoses and couplings used in liquid oxygen systems. The company then shipped the components, along with false certifications, to NASA and DOD.

Management Controls

Audit of NASA's Performance Reporting

NASA's annual Performance Report, required by the Government Performance and Results Act, is intended to assess the Agency's overall performance and to support decisions on program funding levels. Our audit, *Validation and Verification of Selected NASA Fiscal Year 2001 Performance Data Related to the Government Performance and Results Act (IG-02-025)*, assessed the quality of performance data in the Agency's FY 2001 Performance Report. We found the supporting data and information to be adequate for 12 of the 19 performance goals we reviewed, and we did not identify any significant problems with reported actual performance. However, for 7 of the 19 performance goals we reviewed, we found that either the initially reported performance was not fully reliable or the presentation of results was unclear. For example, we found that some projects initially reported as having been accomplished either were not completed or were not completed during the performance period. In addition, we found that NASA did not always disclose limitations in the supporting data. We recommended that

NASA emphasize that reported performance results in future Performance Reports must accurately reflect supporting data and must be achieved during the subject fiscal year. We also recommended that reported results be aligned with planned performance and that data limitations be disclosed. Management concurred with all of the recommendations and has planned corrective actions.

This report is available on the Web at
<http://www.hq.nasa.gov/office/oig/hq/ig-02-025.pdf>

Inspection of Langley's Patent Licensing Process

Our *Review of Langley Research Center's Patent Licensing Process (G-02-005)* examined the patent licensing process at NASA's Langley Research Center. This process promotes the utilization of inventions arising from federally supported research and development. We examined the criteria Langley uses to grant different types of patent licenses, determined how often certain types of licenses are granted, assessed how licensee performance is measured, and evaluated the frequency of licensee termination for nonperformance. We found that although Langley evaluates a licensing partner's performance by examining licensing royalty payments and company progress reports, the Center did not always receive royalty payments or progress reports in a timely manner, and did not always pursue companies for delinquent payments and report submissions. Langley management concurred with our three recommendations to improve the patent licensing process.

This report is available on the Web at
<http://www.hq.nasa.gov/office/oig/hq/inspections/g-02-005.pdf>



STS-88 mission specialist James Newman, holding on to a handrail, waves back at the camera.

Legislation, Legal Matters, and Regulatory Review

Legislation and Legal Matters

Computer Trespass Implementation at NASA

During this semiannual period, we briefed representatives of NASA's CIO and the Office of General Counsel on the need for authorization to implement the computer trespass provisions of the USA PATRIOT (Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism) Act. Implementation of these provisions would allow law enforcement to protect NASA from computer intrusions by unauthorized users in real time, based upon the consent of the computer system owner. Real-time access based upon consent will allow us to track hackers and preserve evidence that would be lost in the time it takes to seek a court order. We are hopeful that NASA will adopt our proposal and will consent to interception of unauthorized users of its computer systems, so that we may track in real time the criminal activities of those who hack into NASA systems.

Data Quality Act Implementation Within the OIG

Section 515 of the Treasury and General Government Appropriations Act for Fiscal Year 2001 (Public Law 106-554) directed the Office of Management and Budget (OMB) to issue Government-wide information quality guidelines. OMB's "Guidelines for Ensuring and Maximizing the Quality, Objectivity, Utility, and Integrity of Information Disseminated by Federal Agencies" require each Federal agency to issue its own agency-specific implementing guidelines for ensuring the quality of disseminated information. We have drafted provisions based upon OMB guidance implementing the Data Quality Act for correction and appeal of accuracy determinations. Our provisions are posted to our Web site at <http://www.hq.nasa.gov/office/oig/hq/mechanisms.html>.

Regulatory Review

During this period, we reviewed 20 NASA and Headquarters directives. Our suggestions for changes resulted in numerous improvements. One directive with which we continue to have significant disagreements with NASA management is Security Procedures and Guidelines, NASA Procedures and Guidelines (NPG) 1620.1. In May 2000, the Agency agreed with our audit recommendation that 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. Although NPG 1620.1 has been revised twice since May 2000—in 2001 to revise procedures for issuing badges to foreign national visitors and in 2002 to make technical changes in authority—the Agency has yet to incorporate our recommendation into the final regulation. NASA's Office of Security Management and Safeguards told us the NPG 1620.1 has been substantially revised. They plan to submit the revised guidance for Agency review during the upcoming semiannual period.

Significant Outreach Activities

The OIG participates in numerous cooperative activities with other Government organizations. For instance:

- In the aftermath of the September 11th attacks on New York City and the Pentagon, the NASA OIG is an active participant in regional Anti-Terrorism Task Force activities around the country.
- The NASA OIG participated in the "Cyber Interagency Working Group," which was established by the President's Critical Infrastructure Protection Board to address a potential major vulnerability of the Nation's IT systems. Plans developed by the group were used extensively in the President's "National Strategy to Secure Cyberspace."
- At the request of the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency (PCIE/ECIE), the organization that represents all of the Federal Offices of Inspectors General, we participated in a working group to analyze issues in homeland security legislation from an OIG perspective.
- The OIG led the PCIE/ECIE review of "Federal Agencies' Planning and Assessment Activities for Critical, Physical Infrastructure Assets." Thirteen OIGs participated in the review. The report on this effort was issued on July 19, 2002.
- The Inspector General chairs the PCIE/ECIE Information Technology Roundtable. Mark Forman, Associate Director for Information Technology and E-Government at the Office of Management and Budget, met with the roundtable in April to discuss the President's E-Government Initiative and the role of Inspectors General in ensuring effective implementation of the Initiative.
- Members of the OIG staff provided training at both the Federal Law Enforcement Training Center and the IG Academy in Glynco, GA. Our staff also provided training to the U.S. Treasury Inspector General Regional Field Office in San Francisco, CA, and conducted comprehensive incident response training for NASA ITS personnel.
- The OIG participated in intra-governmental discussion groups, including the PCIE's Inspection and Evaluation Roundtable and the Council for Excellence in Government.

Awards and Special Thanks

OIG Employees Recognized for Outstanding Contributions

During this period, NASA Headquarters recognized several OIG employees for their outstanding contributions. NASA Administrator Sean O'Keefe presented a NASA Group Achievement Award to Special Agents Frank Davenport, Mary Fitzpatrick, Steven Glass, William Miller, Felix Montelara, Peter Roe, Samuel Simpkins, Jacqueline Spiller, and Mark Voegelin for their tireless efforts in the daunting task of forensic evidence recovery and investigation of the attacks on the World Trade Center and Pentagon. OIG staffer Annette Huffman received recognition at the NASA Headquarters 19th Annual Secretarial/Clerical Awards for her outstanding support of our office at John H. Glenn Research Center.

Two OIG staff members received a U.S. Attorney's Award. Special Agent Sarah Surber received the U.S. Attorney's Award from the District of Connecticut for her participation in the Chromalloy Gas Turbine Corporation investigation. Special Agent Jodi Siegel received the U.S. Attorney's Award from the District of Columbia for her participation in the Boeing Information Services investigation.

Special Thanks

Special Agent Wayne Nichols "Nick" Nance, Jr., FBI, Tampa Division, was instrumental in the success of a joint investigation with the NASA OIG Office of Investigations. Special Agent Nance contacted the OIG and requested assistance in an investigation and subsequent undercover operation involving the theft and attempt to sell priceless Moon rocks that belonged to the U.S. Government. Special Agent Nance's individual efforts, supported by the FBI's Tampa Division, were key to the successful arrest of four individuals and the recovery of priceless Apollo lunar and meteorite samples that were stolen from NASA Johnson Space Center. Special Agent Nance is a true professional, and we commend his dedication, contributions, and support to the Nation's space program. We look forward to continuing a productive relationship with him and the FBI.



Special Agent Nance is pictured here with the Inspector General and the Moon Rock Investigation Team. From left to right: Eric Smith, JSC Security Office; Jody Norris, FBI Supervisory Special Agent; Patricia Koenig, NASA OIG Special Agent; Robert W. Cobb, NASA Inspector General; Nick Nance; Vernon Nixon, Chief, JSC Security Office; Sheila Brock, NASA OIG Special Agent; and Jack Mays, JSC Security Office.



Some of the recovered lunar samples.

APPENDICES

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Appendix A

Inspector General Act Reporting Requirements

IG Act Citation	Requirement Definition	Cross Reference Page Number(s)
Section 4(a)(2)	Review of Legislation and Regulations	15
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	3-4, 7-15
Section 5(a)(2)	Recommendations for Corrective Actions	3-4, 7-15
Section 5(a)(3)	Prior Recommendations Yet to Be Implemented	25-27
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	29
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	23-24
Section 5(a)(7)	Summary of Significant Audit Reports	7-14
Section 5(a)(8)	Table—Total Number of Audit Reports and Total Dollar Value Questioned Costs	24
Section 5(a)(9)	Table—Total Number of Audit Reports and Total Dollar Value Funds Be Put to Better Use	24
Section 5(a)(10)	Summary of Prior Audit Reports for Which No Management Decision Has Been Made	25
Section 5(a)(11)	Description and Explanation of Significant Revised Management Decisions	24
Section 5(a)(12)	Significant Management Decisions with Which the Inspector General Disagreed	24

Appendix B Statistical Reports

Table 1—Audit Reports and Impact¹

Report Number/ Date Issued	Report Title
IG-02-016 05/14/02	Goddard Space Flight Center's Compliance with Export Laws and Regulations
IG-02-017 06/04/02	Management of Research Grants and Cooperative Agreements
IG-02-018 06/24/02	NASA Oversight of United Space Alliance's Safety Procedures at the John F. Kennedy Space Center
IG-02-019 07/08/02	Property Control System Analysis Reporting on Space Flight Operations Contract Subcontractors
IG-02-020 07/01/02	Space Shuttle Safety Upgrades
IG-02-021 07/29/02	Contracting Issues Associated with the NASA Safety Reporting System
IG-02-022 07/19/02	Report on Review of Federal Agencies' Planning and Assessment Activities for Critical, Physical Infrastructure Assets
IG-02-023 08/12/02	KPMG LLP Audit of New Mexico State University for the Fiscal Year Ended June 30, 2001
IG-02-024 09/06/02	Barriers on the International Space Station Program
IG-02-025 09/27/02	Validation and Verification of Selected NASA Fiscal Year 2001 Performance Data Related to the Government Performance and Results Act
IG-02-026 09/16/02	Executive Summary—Government Information Security Reform Act
IG-02-027 09/30/02	NASA's Contract Audit Followup System
IG-02-028 09/30/02	Space Launch Initiative: Primary Requirements for a 2nd-Generation Reusable Launch Vehicle
IG-02-029 09/30/02	NASA's Implementation Activities for Critical Cyber-Based Infrastructure Assets—Phase II
IG-02-030 09/30/02	NASA's Proposal Evaluation Process
Total Reports Issued	15

¹NASA OIG audits conducted during this period resulted in no new questioned costs or funds put to better use.

Table 2—Audits with Questioned Costs

	Number of Audit Reports	Total Costs Questioned
No management decision made by beginning of period ¹	2	\$10,397,734
Issued during period	0	0
Needing management decision during period	2	\$10,397,734
Management decision made during period:	1	\$ 8,597,734
Amounts agreed to by management		0
Amounts not agreed to by management		\$ 8,597,734
No management decision at end of period:	1	\$ 1,800,000
Less than 6 months old	0	0
More than 6 months old	1	\$ 1,800,000

¹Corrected from prior period.

Table 3—Audits with Recommendations that Funds Be Put to Better Use

	Number of Audit Reports	Total Costs Questioned
No management decision made by beginning of period ¹	2	\$115,617,000
Issued during period	0	0
Needing management decision during period	2	\$115,617,000
Management decision made during period:	1	\$ 617,000
Amounts which management agreed to be put to better use:		\$ 269,750
Based upon proposed management action		\$ 269,750
Based upon proposed legislative action		0
Amounts which management disagreed be put to better use		\$ 347,250
No management decision at end of period:	1	\$115,000,000
Less than 6 months old	0	0
More than 6 months old	1	\$115,000,000

¹Corrected from prior period.

Table 4—Revised Management Decision and Inspector General Disagreements with Management Decisions

	Number	Description
Revised Management Decision(s)	0	N/A
Inspector General Disagreement with Significant Management Decision(s)	0	N/A

Table 5—Audit Reports for Which No Management Decision Was Made By September 30, 2002

Report Number/ Date Issued	Report Topic	Number of Recommendations	
		Resolved	Unresolved
REPORTED IN PREVIOUS SEMIANNUAL REPORTS			
INFORMATION TECHNOLOGY			
IG-01-033 08/21/01	UNIX Operating System Security and Integrity of the New Business Systems at the Jet Propulsion Laboratory <i>Status: We are working with management to resolve this recommendation.</i>	20	1
LAUNCH VEHICLES			
IG-01-003 12/21/00	Audit of Space Shuttle Payloads <i>Status: We discussed the unresolved recommendations with the Audit Followup Official on September 30, 2002, and we are working with management to resolve them.</i>	0	5
INTERNATIONAL SPACE STATION			
IG-99-009 03/09/99	Space Station Contingency Planning for International Partners <i>Status: We discussed the unresolved recommendations with the Audit Followup Official on September 30, 2002, and we are working with management to resolve them.</i>	0	2

Table 6—Prior OIG Audit Recommendations Yet to Be Implemented

Report Number/ Date Issued	Report Title	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target/ Closure Date
				Open	Closed	
NEW SINCE LAST REPORTING PERIOD						
INFORMATION TECHNOLOGY						
IG-02-001 10/25/01	NASA Incident Response Capability	10/25/01	*	1	0	10/31/02
IG-02-003 11/19/01	Audit of Performance Management Related to Agencywide IT Security Program Goals	06/03/02	*	9	3	10/22/02
SECURITY						
IG-02-004 11/19/01	Approval for Accessing IT Systems at [Two NASA Centers]	11/19/01	*	2	4	01/16/03
INTERNATIONAL SPACE STATION						
IG-02-002 11/08/01	Restructuring of the International Space Station Contract	09/30/02	*	2	1	10/31/02

*Nonmonetary finding.

(continued)

Table 6—Prior OIG Audit Recommendations Yet to Be Implemented (Continuation)

Report Number/ Date Issued	Report Title	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target/ Closure Date
				Open	Closed	
IG-02-011 03/22/02	International Space Station Spare Parts Costs	03/22/02	*	5	0	12/31/02
FINANCIAL MANAGEMENT						
IG-02-015 03/29/02	Audit of Forward Funding and Cost Disbursements Management	03/29/02	*	9	0	12/31/02
REPORTED IN PREVIOUS SEMIANNUAL REPORTS						
SAFETY AND MISSION ASSURANCE						
IG-99-047 09/22/99	Safety Considerations at Goddard Space Flight Center	09/22/99	*	1	4	12/31/02
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	05/30/02	*	1	4	03/15/03
IG-01-042 09/28/01	Safety of Lifting Devices and Equipment at Stennis Space Center	11/30/01	*	1	15	11/01/02
INFORMATION TECHNOLOGY						
IG-00-055 09/28/00	System Information Technology Security Planning	12/29/00	*	3	7	10/30/02
IG-00-057 09/28/00	NASA's Planning and Implementation for Presidential Decision Directive 63—Phase I	09/28/00	*	2	1	11/30/02
IG-00-017 03/21/00	General Controls at Johnson Space Center Mission Control Center	09/30/02	*	3	11	12/31/02
IG-01-022 03/30/01	Information Technology Security Planning	03/30/01	*	3	1	03/31/03
IG-01-038 09/27/01	NASA Planning and Implementation for Presidential Decision Directive 63—Phase III	09/27/01	*	2	0	11/30/02
IG-01-043 09/28/01	IT Security Requirements in NASA Contracts, Grants, and Cooperative Agreements	09/28/01	*	2	1	01/30/03
PROCUREMENT						
IG-98-030 09/14/98	Single Source Suppliers of Critical Items	03/17/99	*	1	2	See Note

*Nonmonetary finding.

(continued)

Table 6—Prior OIG Audit Recommendations Yet to Be Implemented (Continuation)

Report Number/ Date Issued	Report Title	Date Resolved	Total Monetary Findings	Number of Recommendations		Latest Target/ Closure Date
				Open	Closed	
FISCAL MANAGEMENT						
IG-99-001 11/03/98	X-33 Funding Issues	08/30/01	*	2	0	10/31/02
PROGRAM AND PROJECT MANAGEMENT						
IG-99-016 03/24/99	Audit of Advanced X-Ray Astrophysics Facility	03/24/99	*	2	0	03/31/03
IG-00-029 03/30/00	X-34 Technology Demonstrator	03/30/00	\$7,000,000	7	9	12/31/02
IG-01-009 03/13/01	Faster, Better, Cheaper: Policy, Strategic Planning, and Human Resource Alignment	05/14/01	*	5	0	10/31/02
IG-01-018 03/27/01	Advanced Aeronautics Program	03/27/01	*	1	12	10/30/02
LAUNCH VEHICLES						
IG-00-009 02/23/00	Staffing of the Expendable Launch Vehicle Program Office at the Kennedy Space Center	02/23/00	*	1	2	See Note
IG-01-021 03/30/01	X-37 Technology Demonstrator Project Management	07/23/02	*	7	6	01/31/03
INTERNATIONAL AGREEMENTS						
IG-99-020 03/31/99	NASA Control of Export-Controlled Technologies	03/31/99	*	5	1	10/31/02
IG-00-018 03/23/00	NASA Oversight of Contractor Exports of Controlled Technologies	03/23/00	*	2	0	10/16/02
IG-00-034 05/21/00	Foreign National Visitors at NASA Centers	05/21/00	*	3	1	10/30/02
IG-00-048 09/19/00	Contractor Exports of Controlled Technologies	09/19/00	*	2	0	10/16/02
ENVIRONMENTAL MANAGEMENT						
IG-00-030 03/31/00	Compliance with the National Environmental Policy Act	09/28/01	*	2	7	10/11/02

*Nonmonetary finding.

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

Table 7—Status of A-133¹ Findings and Questioned Costs Related to NASA Awards²

Total Audits Reviewed	58
Audits with Recommendations	5
Total Disallowed/Questioned Costs	\$0
Total Disallowed/Questioned Costs Recovered/Sustained	\$0
Recommendations: Beginning Balance	27
New Recommendations	5
Recommendations Dispositioned	0
Ending Balance	32
Average Age of Recommendations Not Completed	7.8 months

¹OMB Circular A-133 "Audits of States, Local Governments, and Nonprofit 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, 2002, in accordance with OMB Circular A-50, Audit Followup.

Table 8—Inspections and Assessments Activities¹

Activities Opened	13
Activities Closed	19
Activities Pending	13

¹Includes inspection and assessment reports, special studies, responses to congressional inquiries, and management alerts.

Table 9—Administrative Investigations Activities

Cases Opened	48
Cases Closed	45
Cases Pending	56
Referred to Management	4
Closed	3
Pending	1
Referred to Criminal Investigations	1

Table 10—Criminal Investigations Activities

Cases Opened	232
Cases Closed	227
Cases Pending	364
Hotline Complaints Received	40
Referred to Audits	1
Referred to Investigations	22
Referred to Inspections	5
Referred to NASA Management	2
Referred to Other Agencies	2
No Action Required	8

Table 11—Criminal Investigations Impact

Indictments/Informations	50
Convictions/Plea Bargains/Pretrial Diversions	36
Cases Referred for Prosecution	72
Cases Declined	39
Cases Referred to NASA Management for Action	31
Cases Referred to Other Agencies for Action ¹	43
Suspensions/Debarments	4
Individuals	3
Firms	1
Administrative Actions	46
NASA Employees	9
Contractor Employees	37
Total Recoveries ²	\$ 8,387,715
NASA	\$ 712,201
Other	\$ 7,675,514

¹Includes referrals to State, local, and Federal law enforcement agencies.

²Includes administrative recoveries, fines and penalties, restitutions, settlements and judgments, and special assessments. In addition to monetary recoveries, the NASA OIG recovered priceless lunar and meteorite samples.

Table 12—Legal Activities and Reviews

Freedom of Information Act Matters	19
Inspector General Subpoenas Issued	32
Regulations Reviewed	20

Appendix C

DCAA Audits of NASA Contractors

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 453 audit reports (excluding pre-award contractor proposal evaluations) on contractors who do business with NASA. DCAA also issued 206 reports on audits of NASA contractor proposals totaling \$2,935,477,000, which identified cost exceptions totaling about \$25,352,000. 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 all DCAA audit reports and amounts of questioned costs and funds put to better use for the reporting period. During this period, NASA management resolved 116 reports with \$73,003,000 of questioned costs and 64 reports with \$152,195,000 of funds put to better use. NASA management sustained 71 percent of DCAA's questioned costs and 80 percent of the funds put to better use.



NASA's TopHat Balloon launches from Antarctica.

Table 13—DCAA Audits with Questioned Costs¹

	Number of Audit Reports	Total Costs Questioned (In Thousands)
No management decision made by beginning of period ²	242	\$189,096
Issued during period	112	\$ 35,411
Needing management decision during period	354	\$224,507
Management decision made during period:	117	\$ 74,103
Dollar value of contract recoveries		\$ 51,619
Dollar value of costs not recovered		\$ 22,484
No management decision made by end of period	237	\$150,404

¹Includes audits of incurred costs, Cost Accounting Standards, and defective pricing. Because of the availability of management information systems data and legislative reporting requirements, data is subject to change based upon DCAA authentication.

²Represents amounts at beginning of 6-month reporting period, adjusted for revised audit findings and recommendations.

Table 14—DCAA Audits with Recommendations that Funds Be Put to Better Use¹

	Number of Audit Reports	Total Costs Questioned (In Thousands)
No management decision made by beginning of period ²	129	\$433,108
Issued during period	48	\$ 74,988
Needing management decision during period	177	\$508,106
Management decision made during period:	72	\$166,228
Amounts agreed to by management		\$121,740
Amounts not agreed to by management		\$ 44,488
No management decision made by end of period	105	\$341,878

¹Includes forward pricing proposals and operations audits. Because of the availability of management information systems data and legislative reporting requirements, data is subject to change based upon DCAA authentication.

²Represents amounts at beginning of 6-month reporting period, adjusted for (a) contracts not awarded and (b) revised audit findings and recommendations.

Significant DCAA Contract Audits

DCAA AUDIT

Report Number: 1621-2000R10100005

Action Office: Ames Research Center
DCAA Office: Indianapolis Branch Office
Type Audit/Savings: Incurred Cost/\$1,093,403

This incurred cost audit at Space Hardware Optimization Technology disclosed that the subcontractor had over-billed \$1,093,403 to the prime contractor, STAR Enterprises, Incorporated, and subsequently to the Government. As a result, DCAA disallowed these costs, and NASA sought to collect this overpayment through reductions to the prime contractor's billings.

DCAA Audit

Report Number: 2171-1999G10110652

Action Office: Office of Naval Research
DCAA Office: Boston Branch Office
Type Audit/Savings: Incurred Cost/\$150,000

An audit of the contractor's incurred cost submission questioned \$2,619,000 of indirect costs claimed by the contractor. DCAA questioned the contractor's allocation and classification of various indirect and direct costs within its rate structure. Items questioned included operations and maintenance costs, unallowable legal costs, and various cost allocations. In negotiations, 44 percent of the questioned costs were sustained, resulting in a savings to the Government of approximately \$1,155,000. NASA contracts saved about 13 percent of the \$1,155,000, or approximately \$150,000.

DCAA Audit

Report Number: 2171-2000G10110652

Action Office: Office of Naval Research
DCAA Office: Boston Branch Office
Type Audit/Savings: Incurred Cost/\$67,000

An audit of the contractor's incurred cost submission questioned \$1,531,000 of indirect costs. Items questioned included operations and maintenance costs that resulted in an overstatement of costs charged to certain training grants. In addition, the DCAA audit found that certain salaries had been improperly excluded from the indirect rate computations. In negotiations, over 44 percent of the questioned costs were sustained, resulting in a reduction of approximately \$666,000 in the overhead. NASA contracts saved about 10 percent of the \$666,000, or approximately \$67,000.

DCAA Audit

Report Number: 3521-2001E22000001

Action Office: NASA Johnson Space Center
DCAA Office: Houston Branch Office
Type Audit/Savings: Integrated Product Team Review/\$13.9 Million

A joint Integrated Product Team comprised of DCAA, NASA, and The Boeing Company, Space and Defense Systems, Houston Division, reviewed a July 20, 2001, contract modification of the International Space Station Integration and Operations Provisioning Program Proposal. DCAA questioned costs related to \$81.8 million of excess post-production support subcontract costs and \$44.1 million of other costs, including

material, inter-company work authorizations, direct labor, and indirect costs. The contractor's initial proposed cost estimates were not supported with factual and verifiable data to support the higher estimates. As a result of this review, the contractor adjusted the final proposal to reflect the questioned costs, resulting in net savings to the Government of \$13.9 million.

DCAA Audit Report Number: 4181-1998X1010066A

Action Office: DCMA Torrance, CA
DCAA Office: Santa Ana Branch Office
Type Audit/Savings: Incurred Cost/\$665,000

In an audit of Allied Signal's Aerospace Equipment Systems FY 1998 incurred cost claim, DCAA found deficiencies in the company's system for identifying and segregating unallocable costs. Specifically, the auditor identified a "miscellaneous" account in the general and administrative (G&A) costs pool that included \$9.7 million of unallocable costs. The auditor also identified a \$2.9-million gain on the sale of a fully expensed building for which the contractor did not include a credit to its G&A pool. The administrative contracting officer sustained all of the questioned costs, of which \$1.4 million was allocable to Government flexibly priced contracts. Net savings on NASA contracts were \$665,000.

DCAA Audit Report Number: 4231-2001F21000017

Action Office: DCMA San Antonio, TX
DCAA Office: San Fernando Valley Branch Office
Type Audit/Savings: Incurred Cost/\$533,000

A review of Senior Flexonics, Incorporated's, firm-fixed-price subcontract proposal to Lockheed Martin Space Systems Company—Michoud Operations resulted in questioned costs of \$896,000. The questioned costs represented the difference between (1) proposed and historical labor hours, (2) proposed direct material costs and updated vendor quotations, and (3) tooling costs that were proposed as make-items, but that were purchased at much lower prices. During negotiations, Senior Flexonics concurred with the audit findings. As a result, NASA saved \$533,000.

DCAA Audit Report Number: 4701-1999L10150001

Action Office: DCMA Boeing Canoga Park, CA
DCAA Office: Boeing Seal Beach Resident Office
Type Audit/Savings: Incurred Cost/\$595,000

DCAA audited the 1997 Final Incurred Cost Claim from the Rocketdyne Propulsion and Power unit of the Boeing Company. \$1.1 million of costs questioned by DCAA were sustained, of which \$924,000 was related to Government flexibly priced contracts. The most significant questioned cost was an insurance recovery related to the 1994 Northridge earthquake that the contractor had claimed as profit. Total savings to NASA were approximately \$595,000.

Appendix D Glossary and Acronyms

Glossary

ADMINISTRATIVE INVESTIGATION

Inquiry involving noncriminal allegations of administrative wrongdoing.

DISALLOWED COST

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

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

(The IG Act of 1978 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. In the event that management concludes no action is necessary, final action occurs when a management decision has been made.

INVESTIGATIVE RECOVERIES

Investigative recoveries are the total dollar value of (1) recoveries during the course of an investigation (before any criminal or civil prosecution); (2) court-ordered (criminal or civil) fines, penalties, and restitution; and (3) out-of-court settlements, including administrative actions resulting in noncourt settlements.

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

(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 concluded to be necessary.

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" represents the number of cases referred that are declined for prosecution (not including cases that are settled without prosecution). "Indictments and convictions" represents the number of individuals or organizations indicted or convicted (including pleas and civil judgments).

QUESTIONED COST

(The IG Act of 1978 definition) A cost that is questioned by the OIG because of: (1) alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; (2) a finding that, at the time of the audit, such cost is not supported by adequate documentation; or (3) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

QUESTIONED COSTS FOR WHICH A MANAGEMENT DECISION HAS NOT BEEN MADE

Costs questioned by the OIG about which management has not made a determination of eligibility for reimbursement or about which there remains disagreement between the OIG and management. All agencies have formally established procedures for determining the ineligibility of costs questioned. This process takes time; therefore, this category may include costs that were questioned in both this and prior reporting periods.

RECOMMENDATION RESOLVED

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

RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

(The IG Act of 1978 definition) A recommendation by the OIG that funds could be more efficiently used if management took actions to implement and complete the recommendation, including: (1) reductions in outlays; (2) deobligation of funds from programs or operations; (3) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; (4) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee; (5) avoidance of unnecessary expenditures not in preaward reviews of contract or grant agreements; or (6) any other savings which are specifically identified. (Note: Dollar amounts identified in this category may not always allow for direct budgetary actions, but generally allow the agency to use the amounts more effectively in accomplishment of program objectives.)

UNSUPPORTED COST

(The IG Act of 1978 definition) A cost that is questioned by the OIG because the OIG found that, at the time of the audit, such cost is not supported by adequate documentation.

Acronyms

CIO	Chief Information Officer
COTR	Contracting Officer's Technical Representative
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DOD	Department of Defense
ECIE	Executive Council on Integrity and Efficiency
FY	Fiscal Year
G&A	General and Administrative
IG	Inspector General
ISS	International Space Station
IT	Information Technology
ITS	Information Technology Security
NASA	National Aeronautics and Space Administration
NPG	NASA Procedures and Guidelines
NSRS	NASA Safety Reporting System
OA	Office of Audits
OI	Office of Investigations
OIA	Office of Inspections and Assessments
OIG	Office of Inspector General
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency
P.L.	Public Law
PwC	PricewaterhouseCoopers
QASP	Quality Assurance Surveillance Plans
RLV	Reusable Launch Vehicle
SBA	Small Business Administration
SFOC	Space Flight Operations Contract
U.S.	United States
USA	United Space Alliance

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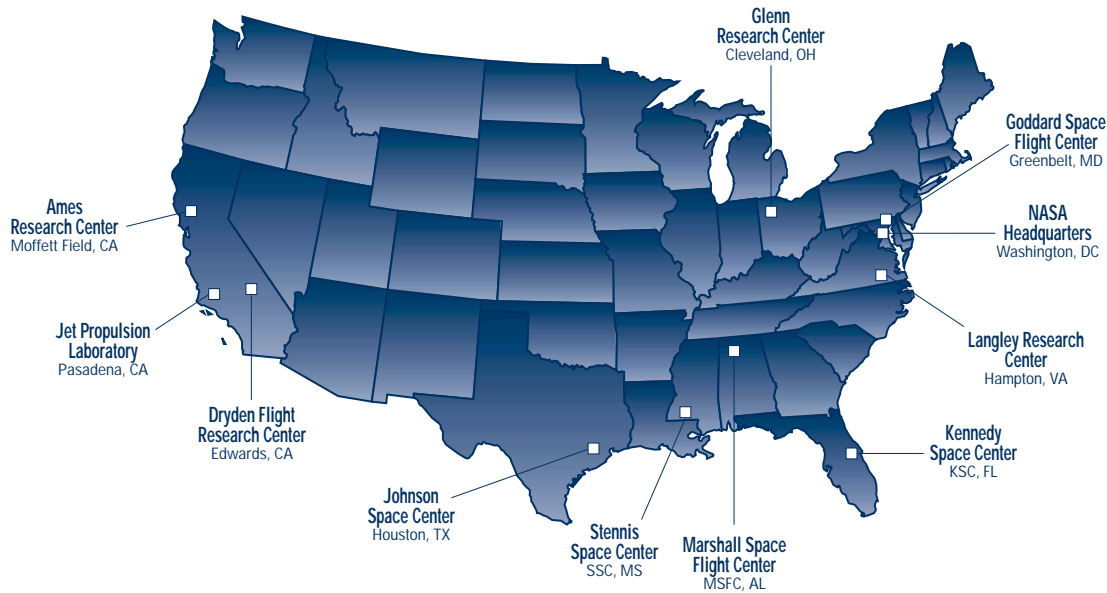
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Audits
 NASA Office of Inspector General
 Mail Stop 180-301
 Jet Propulsion Laboratory
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 Tel: 818-354-9743

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

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 Tel: 661-276-3723

John H. Glenn Research Center at Lewis Field

NASA Office of Inspector General
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 Glenn Research Center
 Cleveland, OH 44135-3191
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 Tel: 281-483-0735

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NASA Office of Inspector General
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 Langley Research Center
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