

**AUDIT
REPORT**

HEALTH CARE COSTS AT NASA CONTRACTORS

September 26, 2000



National Aeronautics and
Space Administration

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Acronyms

ACO	Administrative Contracting Officer
CAS	Cost Accounting Standards
CIPR	Contractor Insurance/Pension Review
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DoD	Department of Defense
FAR	Federal Acquisition Regulation
PCO	Procuring Contracting Officer

W

September 26, 2000

TO: A/Administrator

FROM: W/Inspector General

SUBJECT: INFORMATION: Health Care Costs at NASA Contractors
Report Number IG-00-049

The NASA Office of Inspector General has completed an audit of health care costs at selected NASA contractors. NASA's process for controlling health care costs is through reliance on contractor insurance/pension reviews (CIPR's) performed by the Defense Contract Management Agency (DCMA), with Defense Contract Audit Agency (DCAA) support.¹ Our evaluation of CIPR reports for 6 of NASA's top 20 contracts (see Appendix D) showed that 4 of the 6 reports were incomplete and that 3 of the 6 reports were untimely. Further, recent Department of Defense (DoD) policy changes governing the timing of CIPR's can reduce CIPR coverage by shifting to a risk-based rather than cyclical approach to review insurance/pension plans and costs. Therefore, NASA contracting officers must increase their oversight of the CIPR process to ensure sufficient reviews of insurance and pension plans and costs, including health care costs. The costs can equal more than half the direct labor costs charged to Government contracts. Improved oversight should lead to more current, accurate, and complete CIPR's and to negotiations of fair and reasonable contract prices.

Background

Health care costs are significant and continue to rise annually. The estimated health care costs for the 6 contracts we reviewed exceed \$65 million (see Appendix E). Health care costs are also susceptible to fraud and abuse.² The significance and complexity of

¹ NASA delegates its authority to review contractor insurance/pension plans and costs (including health care costs) to the Department of Defense.

² Projected health care costs for the year 2000 could exceed \$1.3 trillion and represent about 14.3 percent of the gross national product. We obtained this data from National Health Expenditure Projections for the years 1998-2008. The Office of the Actuary, Health Care Financing Administration produces these projections annually. According to a 1997 General Accounting Office Letter Report, estimated fraud and abuse costs for health care nationwide range from 3 to 10 percent. Applying those estimates to the year

insurance/pension plans and costs require that CIPR results be current, accurate, and complete. NASA Procuring Contracting Officers (PCO's) generally delegate their authority to review contractor insurance/pension plans and costs to a DCMA Administrative Contracting Officer (ACO).³ The ACO, based on current Defense Federal Acquisition Regulation Supplement (DFARS) requirements, determines when CIPR's are performed. The ACO's uses the DCMA CIPR staff to perform CIPR's and to assist the ACO's in identifying contractors needing a CIPR. The ACO is generally responsible for negotiating forward pricing, billing, and final indirect cost rates involving Government contractors.

Recommendations

We recommended that NASA management establish a process to track and review CIPR's for its major NASA contractors. The process should include a requirement for DCMA to provide a periodic report to NASA on the status of CIPR's for major NASA contractors. We also recommended that management revise the NASA Federal Acquisition Regulation (FAR) Supplement to include guidance for the contracting officer's review of CIPR's, the criteria and process for requesting special CIPR's,⁴ and any requirements for contracting officer input to the DoD on contractors for which NASA has a major financial interest.

Management Response and OIG Evaluation

Management concurred with the findings and recommendations. Management's response to our first recommendation related to establishing a process to track and review CIPR's for major NASA contractors is potentially responsive. Management plans to investigate the ability of DCMA's system to track CIPR's for major NASA contractors. We understand that other alternatives will be pursued if the DCMA system does not meet NASA's needs and ask that management clarify that intention in response to the final report. Regarding the recommendation that management revise the NASA FAR Supplement to include guidance for the contracting officer's review of CIPR's, management plans to issue a Procurement Information Circular containing relevant CIPR guidance. The planned action is responsive to our recommendation.

2000 projected health care costs, we estimated that health care fraud and abuse costs could range from \$39 billion (3 percent of \$1.3 trillion) to \$130 billion (10 percent of \$1.3 trillion).

³ The contracting officer normally delegates various contract administration functions to the ACO pursuant to Federal Acquisition Regulation Subpart 42.3. Functions delegated to the ACO include reviewing contractor insurance plans and determining whether contractors comply with Cost Accounting Standards (CAS). The ACOs use the DCMA and/or DCAA to assist them in carrying out these responsibilities.

⁴ DFARS Subpart 242.73, "CIPR," states that a special CIPR is a joint DCMA/DCAA review that concentrates on specific areas of the contractor's insurance program, pension plan, or other deferred compensation plan. Special CIPR's are discussed in detail on page 3 of the report.

NASA provided several comments concerning the CIPR process, relationship with DCMA and the fact that we did not identify a dollar impact on a specific contract. To do so would require us to actually perform or reperform the CIPR's which was not the objective of our audit. Our position is that NASA needs to increase its vigilance related to CIPR's and we are pleased that NASA has generally concurred. We address management's general comments in our evaluation of management's responses in the finding section of the report.

[Original signed by]

Roberta L. Gross

Enclosure

Final Report on Audit of Health Care Costs at NASA Contractors

FINAL REPORT
AUDIT OF HEALTH CARE COSTS AT NASA CONTRACTORS

W

September 26, 2000

TO: H/Associate Administrator for Procurement

FROM: W/Assistant Inspector General for Auditing

SUBJECT: Final Report on the Audit of Health Care Costs at NASA Contractors
Assignment Number A9907000
Report Number IG-00-049

The subject final report is provided for your use and comment. Please refer to the Results in Brief section for the overall review results. Our evaluation of your response is incorporated into the body of the report. We consider management's proposed corrective action to recommendation 1 potentially responsive and request that management provide additional comments by November 27, 2000. The response to recommendation 2 is responsive, and the recommendation will remain open for reporting purposes until corrective action is completed.

If you have questions concerning the report, please contact Mr. Lorne A. Dear, Program Director, Procurement Audits, at (818) 354-3360; Mr. Tony Lawson, Program Manager, Procurement Audits, at (301) 286-6524; or Mr. Michael Bruns, Auditor-in-Charge, at (216) 433-8918. We appreciate the courtesies extended to the audit staff. The final report distribution is in Appendix H.

[Original signed by]

Russell A. Rau

Enclosure

cc:

B/Chief Financial Officer

B/Comptroller

BF/Director, Financial Management Division

G/General Counsel

JM/Acting Director, Management Assessment Division

NASA Office of Inspector General

IG-00-049
A9907000

September 26, 2000

Health Care Costs at NASA Contractors

Introduction

The NASA Office of Inspector General conducted an audit of health care costs at selected NASA contractors. Because health care costs are significant and susceptible to fraud and abuse, we reviewed the adequacy of NASA's processes to control health care costs for 6 (see Appendix D) of its top 20 contracts. The estimated health care costs for the six contracts alone exceeded \$65 million annually (see Appendix E).

The DoD ACO, an employee of the DCMA, is primarily responsible for determining the allowability, allocability, and reasonableness of insurance/pension costs on Government contracts when contract administration is delegated. The DCMA insurance/pension specialists and DCAA auditors assist ACO's in making insurance/pension cost determinations by conducting contractor insurance/pension reviews. The DoD ACO is assigned responsibility for requesting and overseeing performance of the CIPR. The DCMA insurance/pension specialist is responsible for leading the review team and for preparing and distributing to the ACO the final CIPR report that summarizes review results.

In negotiating fair and reasonable prices for new contracts and modifications to existing contracts (hereafter referred to as forward pricing), NASA PCO's generally rely on cost information, including estimates of future health care costs, that is part of an offeror's proposal. The DCMA ACO generally reaches advance agreement with a contractor on forward pricing rates that are used for purposes of pricing these new contracts and modifications and that include estimated health care costs for future periods. Similarly, the cognizant DCMA ACO negotiates insurance and pension costs actually incurred and uses those costs to determine indirect cost rates that are applied to Government contracts. The NASA FAR Supplement 1842.705 encourages NASA contracting officers to participate in these indirect cost rate determinations in cases where NASA has a major financial interest. In these forward pricing and incurred cost negotiations, the CIPR is critical to ensuring that the Government's interest is protected.

The overall objective of the audit was to evaluate NASA processes for controlling health care costs. See Appendix A for additional details on the audit objectives, scope, and methodology.

Results in Brief

NASA had a fundamentally sound process for controlling health care costs through reliance on CIPR's performed by DCMA, with DCAA support, in forward pricing and indirect cost rate negotiations conducted by NASA and DCMA. However, we evaluated six CIPR reports and determined that four of the six were incomplete and that three of the six were untimely. Further, recent DoD policy changes governing the performance of CIPR's by DCMA can reduce CIPR coverage by shifting to a risk-based rather than cyclical approach to review performance. As a result, increased attention is warranted by NASA contracting officers to ensure that insurance and pension costs, including health care costs, are sufficiently reviewed to ensure successful negotiations and to request special CIPR's (discussed on next page) when warranted.

Background

In determining the allowability, allocability, and reasonableness of insurance/pension costs on Government contracts, a DoD ACO is subject to provisions in the FAR,⁵ the DFARS, and Government Cost Accounting Standards (CAS).⁶ Further, a DCMA Directive, referred to as the One Book,⁷ addresses DCMA responsibilities in performing CIPR's. For NASA contracts, the ACO is also required to comply with the NASA FAR Supplement.

DFARS CIPR Requirements. DFARS Subpart 242.73, "CIPR," revised November 9, 1999, provides DoD policy governing CIPR's. DFARS section 242.7301 "General," makes the ACO responsible for determining the allowability⁸ of insurance/pension costs in Government contracts. Further, this section describes a CIPR as an in-depth evaluation⁹ of a contractor's:

- insurance program;
- pension plan;
- other deferred compensation plans; and
- related policies, procedures, practices, and costs.

The DFARS section also states that a special CIPR is a joint DCMA/DCAA review that concentrates on specific areas of the contractor's insurance program, pension plan, or other deferred compensation plan.

⁵ FAR Part 31, "Contract Cost Principles and Procedures," contains principles and procedures for the determination or allowance of costs.

⁶ CAS are designed to achieve uniformity and consistency in the cost accounting practices governing measurement, assignment, and allocation of costs to contracts with the U.S. Government.

⁷ The DoD refers to DCMA Directive 5000.4, "Contract Management," as the One Book.

⁸ FAR Part 31 states that factors for determining allowability include, but are not limited to, allocability and reasonableness.

⁹ Evaluation procedures can consist of verification of premium payments to third-party insurance companies or payments to insurance companies for administrative fees only. We believe the likelihood of fraud or waste detection using these procedures is minimal.

Requirements for Conducting CIPR's. DFARS Section 242.7302, "Requirements," states that a CIPR shall be conducted only when:

- a contractor has \$40 million of qualifying sales to the Government during the contractor's preceding fiscal year; and
- the ACO, with advice from DCMA insurance/pension specialists and DCAA auditors, determines the need for a CIPR based on a risk assessment of the contractor's past experience and current vulnerability.

The DFARS also states that a special CIPR can be performed when any of the following circumstances exists, but only if the circumstance(s) may result in an a material effect on Government contract costs:

- Information identifies a deficiency in the contractor's insurance/pension program.
- The contractor proposes or implements changes in its insurance, pension, or deferred compensation plans.
- The contractor is involved in a merger, acquisition, or divestiture.
- The Government needs to follow up on contractor implementation of prior CIPR recommendations.

If another Government organization such as NASA requests a special CIPR, the ACO can initiate it or address the requester's concerns as part of a CIPR already scheduled for the near future.

Before the November 1999 DFARS revision, Subpart 242.73 required that the CIPR team conduct a review at least every 2 years for qualifying contractors. Additionally, the November 1999 guidance limits CIPR's (excluding special CIPR's conducted based on the circumstances listed above) to cases in which a risk assessment determines a CIPR is needed based on the contractor's past experience or current vulnerability. This is a fundamental change in the underlying requirement for performance of CIPR's that can limit both the frequency and scope of these reviews. To ensure that the ACO can continue to fulfill responsibilities associated with determining the allowability (includes allocability and reasonableness) of insurance and pension costs and the needs of other CIPR users are met, it is imperative that these risk assessments be comprehensive and timely. However, the DFARS provides no guidance on the frequency or scope of the assessments. This change shifts significant responsibility from the ACO to the NASA PCO for determining whether the CIPR is adequate for purposes of a particular negotiation. It should not be assumed that the most recent CIPR is, in fact, current under this new policy.

CIPR Responsibilities. DFARS section 242.7303 identifies the CIPR-related responsibilities of the ACO, the insurance pension specialist, and the DCAA auditor. The ACO's responsibilities include, but are not limited to:

- Determining the need for a CIPR.

- Reviewing the CIPR report, advising the contractor of the recommendations contained therein, considering contractor comments, and rendering a decision on those recommendations.
- Providing other interested contracting officers copies of documents related to the CIPR.
- Performing contract administration responsibilities related to CAS administration as described in FAR Subparts 30.2 and 30.6.

The ACO uses resources from the DCMA's CIPR Center¹⁰ and the DCAA to perform CIPR's. The CIPR Center is composed of two teams¹¹ that primarily consist of insurance/pension specialists. Section 242.7303 identifies the insurance/pension specialist as the team leader for CIPR's and the DCAA auditors as CIPR team members. The section states that the team leader's responsibilities include, but are not limited to:

- Maintaining complete documentation for CIPR reports.
- To the extent possible, resolving discrepancies between audit reports and CIPR draft reports prior to releasing the final CIPR report.

We considered CIPR reports incomplete if the team leader did not include relevant information from DCAA audit reports or prior CIPR reports that could affect the allowability, allocability, and reasonableness of insurance costs in the CIPR report. See Appendix B for more DFARS CIPR requirements concerning responsibilities for the insurance/pension specialist and DCAA auditor.

CAS 416 Criteria for Insurance Costs. CAS 416 provides criteria for the measurement of insurance costs, the assignment of such costs to cost accounting periods, and their allocation to cost objectives. The ACO must ensure contractors comply with this standard. Per the DFARS, the DCAA auditor is responsible for performing contract audit responsibilities related to CAS administration. If contractor health care costs do not comply with CAS 416, they are unallowable. If contract audit work identified a possible contractor noncompliance with CAS 416, and the CIPR report did not include a statement to that effect, we considered the CIPR report incomplete.

DCMA Directive. DCMA Directive 5000.4, "Contract Management," Chapter 7.2 "CIPR," designates the DCMA as the executive agency for performing CIPR's within the DoD. The directive states that DCMA performs CIPR's because:

- Costs of insurance and pension programs materially affect contract price.
- Contractor insurance and pension programs are a high risk area because the indirect costs of these programs usually exceed 50 percent of direct labor costs.
- Cost avoidances in this area range up to hundreds of millions of dollars.

¹⁰ The CIPR Center is part of the DCMA Contract Business Operation Unit located at DCMA Headquarters (Fort Belvoir, Virginia).

¹¹ The two CIPR teams are known as the CIPR Team East and the CIPR Team West. The CIPR Team East is located in Staten Island, New York, and the CIPR Team West is located in Carson, California.

Currently, no guidebook for the CIPR process exists. However, the directive requires that the ACO perform a number of post-CIPR actions that include, but are not limited to:

- Sending a letter to the contractor summarizing CIPR results and requesting contractor comments on the review recommendations.
- Discussing contractor responses with the CIPR team leader and finalizing the Government's position on the issues.
- Maintaining price negotiation memorandum documentation supporting issue resolution.
- Providing the CIPR team with a copy of any audit report received after a CIPR that relates to insurance, pensions, or other deferred compensation issues.

Disposition of issues is to occur during negotiation of forward pricing rate agreements and final indirect cost rates. Thus, contracting officers predominantly use CIPR reports to determine pricing of insurance/pension costs on many Government contracts and proper charging of incurred insurance/pension costs to Government contracts.

Prior Audit Coverage. The NASA Office of Inspector General has not performed prior audits of health care costs. However, two DoD Office of Inspector General reports issued within the last 4 years identified various issues affecting the CIPR process. For example, a DoD Inspector General March 1997 report on oversight of defense contractor insurance and pension plans states "the lack of proper review coverage presents substantial risk to the Government that incurred costs are improperly allocated and budget estimates are inaccurate. Unless reviews are timely, contractor forward pricing rates may not be updated and negotiated contracts may be adversely affected." Appendix C contains more detail about the March 1997 report and a DoD Inspector General report related to health care costs issued in April 2000. The latter report states that audit coverage of certain health care costs was limited and focused primarily on administrative rather than health care delivery costs.

DCMA Actions to Improve the CIPR Process. During audit field work, we discussed with the DCMA actions to improve the CIPR process. DCMA management stated that they proposed actions during fiscal year 2000 to improve the CIPR process. The proposed actions addressed issues in the March 1997 DoD Inspector General report mentioned earlier. Those actions included implementing a joint review guide for insurance costs and providing more working paper support for analyses performed. The joint review guide for insurance is in draft form. DCMA plans to meet with DCAA before September 30, 2000, to discuss which agency will perform proposed steps in the joint review guide and to finalize the guide. DCMA also plans to improve the quality of documentation included in the CIPR working papers. DCMA employees received working paper training during FY 2000, which included instructions on the type of documents that the working papers should contain. DCMA CIPR Center Management plans to perform reviews of employee working papers.

NASA Oversight of CIPR Reports and Services

Finding. NASA can enhance the value of CIPR's in the negotiation of contracts and modifications and better ensure that delegated contract administrative services effectively control contract costs. Specifically, four of the six CIPR reports addressing six major NASA contracts lacked a complete analysis of insurance costs as required by CIPR guidance, and three of those six reports were not issued in a timely manner. This occurred partly because NASA was not systematically reviewing or tracking CIPR's performed by DCMA when contract administrative responsibilities were delegated. Additionally, the NASA FAR Supplement contains no guidance related to CIPR's such as contracting officer responsibilities for obtaining and reviewing CIPR reports, providing input to risk assessments performed to determine the need for a CIPR, or the conditions under which a NASA PCO should consider requesting a special CIPR and how such a request should be processed. Since CIPR guidance was modified in November 1999 to eliminate the requirement for a CIPR every 2 years and to focus instead on a risk-based approach, a greater need exists for NASA contracting officers to request special CIPR's. These requests can be based on questions arising during contract performance or as a result of forward pricing or indirect cost negotiations. Incomplete and untimely CIPR's adversely affect the ability of NASA PCO's to negotiate fair and reasonable prices for contracts and modifications because of the resulting uncertainty concerning forward pricing rates. In addition, DCMA ACO's can be impeded from effectively negotiating contractor indirect cost rates under these circumstances. Finally, NASA contracting officers participating in indirect cost rate negotiations in cases of a significant NASA financial interest could also be negatively affected by the lack of complete and timely CIPR results.

FAR and NASA FAR Supplement Requirements. The FAR and the NASA FAR Supplement contain little guidance on CIPR's. FAR Subpart 42.302, "Contract administration functions," requires contracting officers to review contractor insurance/pension plans. NASA normally delegates that responsibility to the cognizant DCMA ACO. However, NASA contracting officers are ultimately responsible for ensuring that services affecting their contracts are satisfactory. The NASA FAR Supplement contains no requirements or guidance for contracting officers to request or review CIPR reports. Additional NASA FAR Supplement guidance is needed to emphasize CIPR's are no longer performed on a cyclical basis. NASA PCO's, therefore, must carefully review CIPR's to ensure that the results are current and applicable to the negotiation at hand. Because the November 1999 policy change will likely affect the frequency of CIPR's, the need for a special CIPR and the associated lead time for its performance are critical factors that the contracting officer must plan for.

Completeness of CIPR Reports. Four CIPR reports reviewed were incomplete because the team leader did not resolve or include references to discrepancies between audit reports and CIPR field work before issuing the CIPR report. The DFARS Section 242.7303 requires the

team leader, when possible, to resolve such discrepancies. Two incomplete reports are illustrated below; the remaining two are discussed in Appendix F:

- A February 4, 1998, CIPR report of the Lockheed Martin Corporation that covered multiple fiscal years, including 1995, concluded that group insurance costs were allowable, allocable, and reasonable to Government contracts. However, two 1996 DCAA reports identified two instances of contractor noncompliance with CAS 416. In both instances, the contractor's allocation method did not properly allocate the costs on a causal and beneficial basis as required by CAS 416. The DCAA auditors assessed these noncompliance(s) as significant but did not quantify the impact in dollar terms. Accordingly, either noncompliance may have affected the allowability, allocability, and reasonableness of insurance costs addressed in the February 1998 CIPR report. Yet, the 1998 CIPR report made no mention of either noncompliance and concluded the costs were allowable. We also reviewed a March 2000 DCAA audit report that cited the noncompliance(s) as ongoing.
- A June 4, 1999, CIPR report of the United Space Alliance stated that the DCAA should verify allocation amounts for group plans. However, about a month later, the DCAA issued a July 1999 supplemental audit report on final indirect rates and incurred costs for fiscal year 1997 at the United Space Alliance. The auditors reviewed the contractor's indirect cost pools and allocation bases and found them acceptable except for a qualification related to corporate home office allocations that could affect group insurance plans. Despite DFARS requirements that require the team leader to resolve discrepancies between audit reports and the CIPR work before releasing the final CIPR report, the team leader did not include a reference to DCAA's audit work or pending report that was issued the following month. As a result, we consider the CIPR results to be incomplete.

Timeliness of CIPR Reports. Three reviewed CIPR reports were untimely because the CIPR team did not ensure that they complied with DFARS biennial requirement for CIPR's in effect before November 1999. Although a CIPR was required every 2 years, there was no requirement that the CIPR team issue a CIPR report every 2 years. However, for the three CIPR reports we reviewed, the elapsed time between issuance of CIPR reports was greater than 2 years as detailed below. If timely CIPR reports are not issued, the risk increases that an ACO may negotiate a contract price that is not in the Government's best interest.

- The CIPR team issued its last CIPR report of the Space Telescope Science Institute,¹² in August 1993. The CIPR team had not performed a review since that time.

¹² The Goddard Space Flight Center formally contracts with the Association of Universities for Research in Astronomy. The Space Telescope Science Institute is an operating segment of the association and performs most contract operations.

- The CIPR team issued its most recent CIPR report of Raytheon Information Systems Company,¹³ in May 1996. The DCMA informed us in February 2000 that a CIPR was on going. As of July 2000, the CIPR team had not issued its report.
- The CIPR team issued its most recent report of Thiokol Propulsion,¹⁴ in August 1999. The report indicated that although the CIPR team issued reports from July 1992 through August 1999, the team leader could locate only a July 27, 1992, report. The team leader should have been able to locate CIPR reports issued through August 1999. The information in the August 1999 report does not indicate how many CIPR reports the team issued from July 1992 to August 1999 or why the missing reports could not be located.

Reasons for Untimely Reports. The three CIPR reports were untimely for various reasons. The team leader responsible for the 1993 CIPR report at the Space Telescope Science Institute considered biennial CIPR's unnecessary because he believed there was a low risk of insurance costs being unallowable. The team leader lacked the authority to make such a decision in light of the DFARS requirement for biennial reviews. Further, DCMA Directive 5000.4 states, "contractor insurance and pension programs are a high risk area." The team leader responsible for the Raytheon Information Systems CIPR report has not provided an explanation for the lack of a CIPR report since 1996.¹⁵ The Thiokol team leader indicated in the August 1999, report that his office has been unable to locate prior reports transferred to the CIPR West Coast office upon closure of the CIPR operation previously located in Chicago, Illinois.

Guidance Needed to Ensure Timely CIPR's. Current DFARS guidance does not ensure that CIPR's will be performed in a timely manner. Prior to the November 9, 1999, DFARS change, a CIPR was required every 2 years. DFARS Section 242.7302, "Requirements," currently states that the ACO determines the need for a CIPR based on a risk assessment¹⁶ of

¹³ The Goddard Space Flight Center awarded contract number NAS 5-6000 to the Hughes Information Technology Corporation in 1993. This Hughes Aircraft Company component eventually became the Hughes Information Technology Systems, Civil Systems (HITS-CS). On December 18, 1997, the Raytheon Company merged with the Hughes Aircraft Company's defense business units that included HITS-CS. After the merger, HITS-CS was renamed Raytheon Systems Company-Civil Systems. In December 1999, the company became Raytheon Information Systems Company following a Change-of-Name Agreement between Raytheon and the United States of America.

¹⁴ The CIPR team performed its review at Cordant Technologies, Inc., which consists of Thiokol Propulsion and two other major businesses. On May 5, 1998, Thiokol Corporation (TC) announced it was changing its name to Cordant Technologies, Inc. On July 1, 1997, TC consolidated its propulsion business into a single division called Thiokol Propulsion. Thus, Thiokol Propulsion is now a division of Cordant Technologies, Inc.

¹⁵ In February 2000, the DCMA El Segundo, California, office informed the DCMA Baltimore office that a CIPR was in progress on transferred pension plan assets/liabilities for a company merger. The CIPR West Coast team has not provided us with further details.

¹⁶ DCMA Directive 5000.4, "Contract Management," Chapter 7.2, Section 4.F.2, states that prior to the start of each fiscal year, the CIPR Team must review the list of contractors known to exceed the \$40 million Government sales threshold along with the data supplied by the ACO's. The CIPR Team must perform a risk

the contractor's past experience and current vulnerability. This change in DFARS guidance could result in extended periods between CIPR's and in ineffective CIPR's. For example, the June 4, 1999, CIPR report of the United Space Alliance addressed group insurance plans that were no longer in effect in June 1999. NASA CIPR guidance is needed to ensure (1) timely CIPR's are performed if changes in contractors' insurance plans occur and (2) NASA uses current information for contract negotiations and modifications. NASA could enhance its oversight of the CIPR process/reports if the Agency received periodic status reports from the DCMA. The DCMA should be able to provide NASA with information concerning DoD's major contractors that could include recently issued CIPR reports, planned CIPR's, and major deficiencies arising from CIPR's that may affect NASA.

Although insurance/pension costs could materially affect contract price, the NASA FAR Supplement contains no CIPR requirements or guidance. Consequently, NASA contracting officers may have relied on incomplete and untimely CIPR reports to develop contract negotiation positions and obtain what they considered fair and reasonable contract prices. Further, NASA lacks assurance that DCMA has adequately reviewed and tested health care costs.

Recommendations, Management's Response, and Evaluation of Response

The NASA Associate Administrator for Procurement should:

- 1. Establish a process to track and review CIPR's for major NASA contractors. The process should include a requirement for DCMA to provide a periodic report to NASA on the status of CIPR's for major NASA contractors.**
- 2. Revise the NASA FAR Supplement to include guidance for the contracting officer review of CIPR's, the criteria and process for requesting special CIPR's, and any requirements for contracting officer input to the DoD on contractors for which NASA has a major financial interest.**

Management's Response. Concur. Regarding recommendation 1, NASA management stated it will review data compiled in the DCMA Contractor Information Service's Contractor Systems Status Table to determine its usefulness for tracking and reviewing CIPR's. Management will address recommendation 2 by issuing a Procurement Information Circular containing relevant CIPR guidance.

assessment for each contractor based on criteria set forth in DFARS 242.7302 and must make recommendations to the ACO regarding the need to perform the CIPR. The ACO must decide to perform the CIPR based on the level of the Government's risk. The ACO should refer to DFARS 242.7302 for guidance in recognizing situations that increase the Government's risk. A DCMA CIPR Team official stated that the majority of the CIPR's are special CIPR's rather than CIPR's planned for in advance at the start of the year.

In addition, NASA management's general comments on the report indicated that we did not:

- grasp the CIPR process relative to Corporate Administrative Contracting Officers and buying activities such as NASA;
- demonstrate that untimely or incomplete CIPR reports adversely affected contract prices; and
- understand why a risk-based approach is the most efficient method for determining when a CIPR is performed.

The complete text of management's comments is in Appendix G.

Evaluation of Response. Although management concurred, planned actions are only potentially responsive to the intent of recommendation 1 as discussed below. We consider recommendation 2 resolved but undispositioned and open until agreed-to corrective actions are completed. In addition, we disagree with the context of management's general comments on the findings. Details on our positions follow.

Management stated it plans to investigate the ability of DCMA's system to track CIPR's for major NASA contractors. We consider management's response incomplete because it does not include a commitment to establish a process should the DCMA system prove unworkable. We understand that management will pursue alternative methods for tracking CIPR's for major NASA contractors if the DCMA system does not meet management's needs. Moreover, management did not state its plans for obtaining a periodic status report for its major contractors from the DCMA. Accordingly, we request that management provide additional comments on the implementation of controls to track and review CIPR's for major NASA contractors.

We also disagree with several of management's general comments. Management indicated that we failed to grasp the CIPR process as it relates to NASA or any other Federal buying activity. Management stated that because Corporate Administrative Contracting Officers use CIPR results to negotiate final indirect cost rates and forward pricing rates at the corporate level, the results are not specifically reported to ACO's and are not, therefore, normally reported to the buying activity such as NASA. We disagree based on the six CIPR reports we reviewed.

Of the six CIPR reports reviewed, two were specifically directed to ACO's and one was directed to both the DCMA ACO and the NASA Corporate ACO. In addition, the DCMA One Book requires the CIPR team to make distribution of the report to the ACO.

Furthermore, DFARS guidance identifies the ACO as the individual responsible for requesting a CIPR. NASA and delegated ACO's should play a much larger role in the CIPR process than NASA management implies.

The CIPR serves multiple purposes. First, the CIPR is used by ACO's in the negotiation of contractor-incurred cost proposals in order to determine final indirect cost rates that are used to close out contracts. NASA PCO's should maintain an awareness of these negotiations and, as discussed in the NASA FAR Supplement, directly participate if NASA has a major financial interest. Such negotiations can result in deobligation of funds that potentially can be applied to other requirements or, less likely, can result in the identification of funding shortfalls that must be addressed. Second, the CIPR is used by ACO's to determine forward pricing rates which, in turn, are used by PCO's for negotiation of new contracts and modifications to existing contracts. The NASA PCO is ultimately responsible for obtaining fair and reasonable prices. In forming a negotiating position, the PCO should understand the basis for the rates proposed by the contractor and the results of all current assessments related to those rates, including, for example, DCAA audits and the CIPR performed by DCMA. Third, the CIPR should be used by ACO's in the negotiation of billing rates which the contractor uses for submission of requests for payment as work progresses on contracts. The NASA PCO has a direct interest in these billing rates because adjustments may be required to ensure sufficient funds are obligated on contracts as part of the internal control process to ensure compliance with fiscal statutes, including the Antideficiency Act.

Management comments do not recognize that DCMA performs contract administration through a delegation from NASA. NASA responsibility for contract administration does not end when the delegation is executed, and the impact of any deficiencies is reflected in the quality and timeliness of the goods and services received and the prices paid. Management comments demonstrate the precise problem that is the cause for our concern by stating; "DCMA has only 15 pension and insurance specialists to review pension and insurance plans for all Government contractors for which it is responsible for contract administration." Our findings that the CIPR's were incomplete and untimely coupled with policy changes that will reduce required CIPR coverage are all a reflection of this relatively low resource commitment by DCMA. As a paying customer of DCMA, NASA should be requesting the level of assurance it deems necessary to award and administer contracts through the use of special CIPR requests rather than blindly accept the risk that these pension and insurance costs, which are invariably significant, are allowable, allocable, and reasonable.

NASA's general assertion that buying activities normally do not see the results of the CIPR is inconsistent with the importance of the CIPR process to the award and administration of NASA contracts and the decrease by DCMA in resources and policy requirements associated with performance of CIPR's. In our opinion, NASA should be on guard to ensure the CIPR process is providing appropriate support to negotiations by or for NASA that impact NASA contracts. In this regard, we are pleased that NASA has decided to concur with our recommendations to correct these weaknesses.

NASA management also stated that the report does not support our position that incomplete or untimely CIPR reports adversely affect NASA contract prices. We did not accomplish or reaccomplish CIPR's in order to demonstrate actual impact. However, the risks of a faulty CIPR process are clear. The DCMA One Book states that costs of insurance and pension programs materially affect contract price. The One Book states "contractor insurance and pension programs are a high risk area because the indirect costs of these programs usually exceed 50 percent of direct labor costs." Furthermore, the DoD Inspector General concluded in a 1997 audit report that CIPR reviews were inadequate and untimely and that a substantial risk existed that incurred costs were improperly allocated to Government contracts and that forward pricing estimates for future contracts were inaccurate. Similar to the DoD Inspector General audit, our audit showed that CIPR reports continue to be incomplete and untimely; therefore, we concluded that NASA contract prices could be adversely affected.

Finally, management indicated that the auditor did not comprehend that using a risk-based rather than cyclical approach is more effective in determining when the contracting officer requests a CIPR. Management stated that due to scarce DCMA resources, a risk-based approach is necessary. Our concern is that in order to identify the level of risk, some level of review is needed. It is inappropriate to assume a low level of risk and then use this unsupported risk assessment as a basis to justify not performing CIPR's.

In conclusion, due to scarce DCMA resources and a history of CIPR control weaknesses identified by recent audits, increased NASA oversight is necessary. ACO's and NASA contracting officers are inherently responsible for CIPR results and should be aware of the impact of those results on business segments and contract prices. FAR Part 15 requires a contracting officer to obtain a fair and reasonable contract price. This requirement exists although PCO's normally delegate reviews of insurance plans and costs to the contract administration office. Given the materiality of insurance/pension costs and the requirements of the FAR and DoD regulations, we believe that NASA PCO's must be knowledgeable of CIPR results at major contractors.

Appendix A. Objectives, Scope, and Methodology

Objectives

Our overall objective was to evaluate NASA processes for controlling health care costs. Specifically, we assessed the effectiveness of:

- NASA pricing policies and decisions for health care costs in NASA contracts;
- the services DCMA provides in administering health-care related aspects of NASA contracts and in performing CIPR's; and
- the services DCAA provides in supporting CIPR's, performing incurred cost audit work related to health care costs, and supporting NASA pricing decisions regarding health care costs in contract proposals.

Scope and Methodology

We obtained a list of NASA's active top 20 contracts by estimated value as of August 31, 1999, and with a completion date after October 1, 1999. To evaluate the CIPR process, we reviewed CIPR reports for 6 of NASA's 20 largest contracts. See Appendix D for a list of the six contracts/contractors reviewed. Appendix E of this report shows a comparison of annual contract and health care costs for the six contracts. We also:

- Reviewed DCAA audit reports for the six contracts/contractors.
- Met with the DCAA Branch Manager, supervisor, and auditors at two of the six contractors, and reviewed audit working papers.
- Met with the Director of the CIPR Center at DCMA Headquarters to discuss various aspects of the CIPR process and reports.
- Met with the CIPR East Coast team to review CIPR reports and working paper documentation and to discuss the CIPR process.
- Discussed the CIPR processes and reports with the CIPR West Coast team leader.
- Met with the NASA ACO and the DoD ACO for the United Space Alliance.¹⁷
- Met with human resources, management, and financial representatives from the United Space Alliance and the Space Telescope Science Institute to discuss the development and status of their health care plans and accounting practices.

¹⁷ The Lyndon B. Johnson Space Center issued NASA's largest contract (by value), to the United Space Alliance. The contract is currently valued at about \$8.6 billion.

Management Controls Reviewed

During the audit, we performed a detailed review of contractor policies, procedures, and plans associated with health care costs at both the United Space Alliance and the Space Telescope Science Institute. Key reviewed documents included:

- A KPMG Peat Marwick independent audit report addressing the Space Telescope Science Institute's Group Health Plan.
- A PricewaterhouseCoopers independent auditors' report of the control structure for administrative claim services and modified administration plan processing for the year ended December 31, 1998, for CIGNA HealthCare.¹⁸
- The DCMA's Site Plan for providing delegated contract administration services to NASA under the United Space Alliance contract.

We did not perform similar management control reviews for the remaining four contractors.

Audit Field Work

We performed the audit field work for this report from October 1999 through July 2000. We conducted the audit in accordance with generally accepted government auditing standards.

¹⁸ The United Space Alliance purchases its employee health care insurance through CIGNA.

Appendix B. Responsibilities of Insurance/Pension Specialists and DCAA Auditors

The DFARS Subpart 242.7303 defines the responsibilities of insurance/pension specialists and the DCAA auditors when conducting a CIPR. The DFARS requires the insurance/pension specialist to:

- Issue a technical report on the contractor's insurance/pension plans for incorporation into the final CIPR report based on an analysis of the contractor's pension program, insurance program, and other related data.
- Lead the team that conducts the review. Another individual may serve as the team leader, however, if the insurance/pension specialist and that individual agree. The team leader responsibilities include, but are not limited to:
 - Maintaining complete documentation for CIPR reports.
 - To the extent possible, resolving discrepancies between audit reports and CIPR draft reports before issuing the final CIPR report.
 - Preparing and distributing the final CIPR report.
 - Providing the final audit report and/or the insurance/pension specialist's report as an attachment to the CIPR report.

The DCAA auditor responsibilities are:

- Participating as a member of the CIPR team or serving as the team leader with the concurrence of the insurance/pension specialist.
- Issuing an audit report for incorporation into the final CIPR report based on an analysis of the contractor's books, accounting records, and other related data.
- Performing contract audit responsibilities related to CAS administration as described in FAR Subparts 30.2 and 30.6.

Appendix C. DoD Office of Inspector General Reports Addressing Health Care Costs

DoD Office of Inspector General Report on Evaluation of the Defense Contract Audit Agency Audit Coverage of TRICARE¹⁹ Contracts, Report Number D-2000-6-004, issued April 17, 2000. The report states that health care costs are “rapidly escalating,” and indicates that the audit coverage provided was too limited to adequately cover health care costs. DCAA provided the requested audit support for contract awards, change orders, and contract administration. However, the requested audit support was limited to the administrative health care costs, which were only about 15 to 20 percent of the proposed contract costs. The remaining 80 to 85 percent not reviewed represented health care delivery costs. The report states that the DoD was at risk that unallowable costs had not been identified or questioned because TRICARE management limited audit coverage to administrative costs.

DoD Office of Inspector General Evaluation Report on DoD Oversight of Defense Contractor Insurance and Pension Plans, Report Number PO 97-013, issued March 28, 1997. The report states that the DCMA does not properly plan, document, and coordinate the insurance and pension reviews with the Defense Contract Audit Agency. The report also states that the DCMA generally has not performed timely reviews of pension and insurance programs in connection with business reorganizations and that untimely reviews can adversely affect negotiated contract prices. In addition, the report states that the two issues the Office of Inspector General identified during its 1997 audit were also identified in a 1993 audit. The two issues follow:

- The DCMA has failed to develop a joint review program with DCAA although it agreed to do so. The lack of a review program seriously obstructs a coordinated CIPR team effort.
- The DCMA insurance/pension specialists do not prepare workpaper documentation of their reviews.

The DCMA did not take sufficient actions to correct these two issues as we discuss in this report under the section titled, “Prior Audit Coverage.”

¹⁹ In March 1995, the DoD created TRICARE to provide health care for active duty service members and their families, military retirees and their families, and other TRICARE-eligible recipients through managed care support contracts.

Appendix D. List of NASA Contracts Reviewed

<u>Contract Number</u>	<u>Contractor Name</u>	<u>Award Date</u>	<u>Completion Date</u>	<u>May 31, 2000 Contract Value</u>
NAS 9-20000	United Space Alliance	09-26-1996	09-30-2002	\$ 8.60 billion
NAS 8-38100	Thiokol Propulsion	07-17-1991	02-15-2001	\$ 4.00 billion
NAS 9-19100	Lockheed Martin Engineering and Science Company	12-23-1993	12-31-2003	\$ 1.70 billion
NAS 8-45000	Boeing North American, Inc.	06-28-1996	12-31-2001	\$ 1.30 billion
NAS 5-60000	Raytheon Information Systems Company	03-30-1993	10-31-2002	\$.96 billion
NAS 5-26555	Space Telescope Science Institute	04-30-1981	04-30-2002	\$.83 billion
Total Value				\$17.39 billion

Appendix E. Contractor Health Care Costs

<u>Contractor Name</u>	<u>Contract Costs for 1999¹</u>	<u>Estimated Annual Health Care Costs¹</u>	<u>Percentage of Health Care Costs Compared to Contract Costs</u>
United Space Alliance	\$1,447.6 million	\$40.5 million	2.8%
Thiokol Propulsion	\$ 201.9 million	\$7.3 million	3.6%
Lockheed Martin Engineering and Science Company	\$ 164.3 million	\$5.2 million	3.2%
Boeing North American, Inc.	\$ 179.0 million	\$9.7 million	5.4%
Raytheon Information Systems Company	\$ 131.0 million	\$ 0.9 million ²	0.7%
Space Telescope Science Institute	\$ 67.4 million	\$ 1.7 million	2.5%
Total Estimated Health Care Costs		\$65.3 million	

¹ Contract costs and estimated annual health care costs are on a calendar year basis except for the Space Telescope Science Institute contract amounts.

² We did not include estimated health care costs for major subcontractors or interdivisional subcontractors because the information is not available at this time.

Appendix F. Incomplete CIPR Reports

In addition to the two incomplete CIPR reports discussed under the section of this report entitled, “Completeness of CIPR Reports,” we identified the following two incomplete CIPR’s:

- The August 31, 1999, CIPR report for Thiokol Propulsion²⁰ contained incomplete results. The section of the report addressing employee group insurance states that the team leader planned to issue a separate report regarding employee group insurance. However, the report did not indicate what aspects of the company’s group insurance were reviewed (if any) or why the team did not or could not address the group insurance plans.
- The August 10, 1993, CIPR report for the Space Telescope Science Institute lacked evidence or testimony that specialists/auditors tested pertinent FAR and CAS sections. The contractor is self-insured and assumes losses if health care claims are excessive. The FAR Subpart 28.308 and CAS 416 require contractors to comply with various administrative and cost requirements if self-insured.

²⁰ Thiokol Propulsion is one of three businesses that comprise Cordant Technologies, Inc. In May 1998, Thiokol Corporation, which included Thiokol Propulsion, changed its name to Cordant Technologies, Inc.

Appendix G. Management's Response

National Aeronautics and
Space Administration
Headquarters
Washington, DC 20546-0001



Reply to Attn of:

HK

SEP. 06 2000

TO: W/Assistant Inspector General for Auditing

FROM: HK/Director, Contract Management Division

SUBJECT: Code H Response to OIG Draft Audit Report on Health Care Costs at
NASA Contractors, Assignment No. A9907000

Enclosed is our response to the subject audit report dated August 11, 2000.

Please contact Joe Le Cren at (202) 358-0444 or Jack Horvath at (202) 358-0456 if you
have any questions or need further coordination on this matter.


R. Scott Thompson

Enclosure

HEADQUARTERS OFFICE OF PROCUREMENT
RESPONSE TO
OFFICE OF INSPECTOR GENERAL (OIG)
DRAFT REPORT ASSIGNMENT NUMBER A9907000
DATED AUGUST 11, 2000
HEALTH CARE COSTS AT NASA CONTRACTORS

Date: SEP. 06 2000

ENCLOSURE

General Comments: The findings of this report are based almost exclusively on the actions of the Defense Contract Management Agency (DCMA) regarding its responsibility for the Contractor Insurance/Pension Review (CIPR) process. FAR 42.302 is clear that the responsibility for CIPR's normally is delegated to the contract administration office (CAO), which for NASA is almost always DCMA. This especially would be true for CIPR's due to the complex subject matter involved. Therefore, it would seem that deficiencies in the CIPR's reviewed should be referred to DoD/DCMA and not NASA.

The OIG has failed to grasp the CIPR process as it relates to NASA or any other Federal agency. Buying activities, such as NASA normally do not see the results of the CIPR. CIPR reports typically go to the Corporate ACO (CACO) who negotiates the corporate wide final indirect cost rates and forward pricing rates which include the contractor's pension and insurance costs. Those rates result in an allocation of a portion of the negotiated corporate costs to contractor's business segments which are administered by Administrative Contracting Officers (ACOs). Since the CIPR results are subsumed in the overall corporate costs, they are not specifically reported to the ACOs and, therefore, are not normally reported to the buying activity.

In the **Findings** under the paragraph titled "**NASA Oversight of CIPR Reports and Services,**" the auditor states that "NASA can enhance the value of CIPR's in the negotiation of contracts and modifications...costs" if NASA would have been tracking CIPR's performed by DCMA under delegation from NASA and discovered that some CIPR's lacked a complete analysis of insurance costs and were untimely. This is a subjective finding not supported by facts in the audit report. Also, the auditor states that "Since CIPR guidance was modified to eliminate the requirement for a CIPR every 2 years and to focus instead on a risk-based approach, a greater need exists for NASA contracting officers to request special CIPR's." There is nothing in the report to substantiate this statement. Moreover, it demonstrates that the auditor fails to comprehend that the use of a risk based approach is a much more efficient and effective method for utilizing scarce resources (DCMA only has 15 pension and insurance specialists to review pensions and insurance plans for all Government contractors for which it is responsible for contract administration) than performing reviews every two years whether or not there is any significant risk to the Government. The auditor also goes on to state that "Incomplete and untimely CIPR's adversely affect the ability of NASA PCO's to negotiate fair and reasonable prices for contracts and modifications because of the resulting uncertainty concerning forward pricing rates." Again, there is nothing in the report that supports this statement or indicates that the failure of DCMA to obtain complete and timely CIPR's has resulted in any NASA contracts not being negotiated at fair and reasonable prices. The implication by the auditor that incomplete and untimely reports impact NASA contracts is an overgeneralization not supported or substantiated by any facts within this report. The purpose in delegating the CIPR function to DCMA is to have them act as the representative for all Government agencies. When delegating to DCMA, agencies should not have to utilize their limited resources in micro managing DCMA to ensure that they are performing the CIPR function.

OIG RECOMMENDATION 1:

The NASA Associate Administrator for Procurement should establish a process to track and review CIPR's for major NASA contractors. The process should include a requirement for DCMA to provide a periodic report to NASA on the status of CIPR's for major NASA contractors.

CODE H RESPONSE TO RECOMMENDATION 1: CONCUR

The Office of Procurement will investigate DCMA's current "Contractor Information Service's Contractor Systems Status Table" in order to determine whether or not the information entered into this system would be meaningful to NASA and should be considered in tracking CIPR's for major NASA contractors.

CORRECTIVE ACTION OFFICIAL:	Code HK/J. Horvath
CORRECTIVE ACTION CLOSURE OFFICIAL:	Code HK/S. Thompson
PROJECTED CORRECTIVE ACTION CLOSURE DATE:	December 29, 2000

OIG RECOMMENDATION 2:

The NASA Associate Administrator for Procurement should revise the NASA FAR Supplement to include guidance for the contracting officer review of CIPR's, the criteria for requesting special CIPR's, and any requirements for contracting officer input to the DoD on contractors for which NASA has a major financial interest.

CODE H RESPONSE TO RECOMMENDATION 2: CONCUR

The Office of Procurement does not believe that it is necessary to revise the NASA FAR Supplement in order to provide guidance to contracting officers. Rather, a Procurement Information Circular (PIC) is considered the appropriate vehicle for providing guidance of the nature contained in the recommendation. The Office of Procurement will issue a PIC addressing CIPR's.

CORRECTIVE ACTION OFFICIAL:	Code HK/J. Le Cren
CORRECTIVE ACTION CLOSURE OFFICIAL:	Code HK/S. Thompson
PROJECTED CORRECTIVE ACTION CLOSURE DATE:	December 29, 2000

Appendix H. Report Distribution

Note: This list shows the distribution of the final report only. The list does not apply to the draft report.

National Aeronautics and Space Administration (NASA) Headquarters

A/Administrator
AI/Associate Deputy Administrator
B/Chief Financial Officer
B/Comptroller
BF/Director, Financial Management Division
C/Associate Administrator for Headquarters Operations
G/General Counsel
H/Associate Administrator for Procurement
HK/Director, Contract Management Division
HS/Director, Program Operations Division
J/Associate Administrator for Management Systems
JM/Acting Director, Management Assessment Division
L/Associate Administrator for Legislative Affairs
M/Associate Administrator for Space Flight
P/Associate Administrator for Public Affairs
Q/Associate Administrator for Safety and Mission Assurance
R/Associate Administrator for Aerospace Technology
S/Associate Administrator for Space Science
U/Associate Administrator for Life and Microgravity Sciences and Applications
Y/Associate Administrator for Earth Sciences
Z/Associate Administrator for Policy and Plans

NASA Centers

Director, Ames Research Center
Director, Dryden Flight Research Center
Director, John H. Glenn Research Center at Lewis Field
Director, Goddard Space Flight Center
Director, Johnson Space Center
Director, Kennedy Space Center
Director, Langley Research Center
Director, Marshall Space Flight Center
Director, Stennis Space Center
Chief Counsel, John F. Kennedy Space Center

Appendix H

Chairman and Ranking Minority Member – Congressional Committees and Subcommittees

Assistant to the President for Science and Technology Policy
Deputy Associate Director, Energy and Science Division, Office of Management and Budget
Branch Chief, Science and Space Programs Branch, Energy and Science Division, Office of Management and Budget
Associate Director, National Security and International Affairs Division, Defense Acquisitions Issues, General Accounting Office
Professional Assistant, Senate Subcommittee on Science, Technology, and Space

Chairman and Ranking Minority Member – Congressional Committees and Subcommittees

Senate Committee on Appropriations
Senate Subcommittee on VA, HUD, and Independent Agencies
Senate Committee on Commerce, Science, and Transportation
Senate Subcommittee on Science, Technology, and Space
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on VA, HUD, and Independent Agencies
House Committee on Government Reform and Oversight
House Subcommittee on Government Management, Information, and Technology
House Subcommittee on National Security, Veterans Affairs, and International Relations
House Committee on Science
House Subcommittee on Space and Aeronautics, Committee on Science

Congressional Member

Honorable Pete Sessions, U.S. House of Representatives

NASA Assistant Inspector General for Auditing Reader Survey

The NASA Office of Inspector General has a continuing interest in improving the usefulness of our reports. We wish to make our reports responsive to our customers' interests, consistent with our statutory responsibility. Could you help us by completing our reader survey? For your convenience, the questionnaire can be completed electronically through our homepage at <http://www.hq.nasa.gov/office/oig/hq/audits.html> or can be mailed to the Assistant Inspector General for Auditing; NASA Headquarters, Code W, Washington, DC 20546-0001.

Report Title: Audit of Health Care Costs at NASA Contractors

Report Number:

Report Date:

Circle the appropriate rating for the following statements.

	Strongly Agree	Agree	Neutra l	Disagre e	Strongl y Disagre e	N/A
1. The report was clear, readable, and logically organized.	5	4	3	2	1	N/A
2. The report was concise and to the point.	5	4	3	2	1	N/A
3. We effectively communicated the audit objectives, scope, and methodology.	5	4	3	2	1	N/A
4. The report contained sufficient information to support the finding(s) in a balanced and objective manner.	5	4	3	2	1	N/A

Overall, how would you rate the report?

Excellent	Fair
Very Good	Poor
Good	

If you have any additional comments or wish to elaborate on any of the above responses, please write them here. Use additional paper if necessary. _____

How did you use the report? _____

How could we improve our report? _____

How would you identify yourself? (Select one)

Congressional Staff

NASA Employee

Private Citizen

Government: _____ Federal: _____ State: _____ Local: _____

Media

Public Interest

Other: _____

May we contact you about your comments?

Yes: _____

No: _____

Name: _____

Telephone: _____

Thank you for your cooperation in completing this survey.

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