

IG-00-051

**AUDIT
REPORT**

CONTRACTOR TRAVEL COSTS

September 26, 2000



National Aeronautics and
Space Administration

OFFICE OF INSPECTOR GENERAL

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Acronyms

COTR	Contracting Officer's Technical Representative
DCAA	Defense Contract Audit Agency
FAR	Federal Acquisition Regulation

W

September 26, 2000

TO: A/Administrator

FROM: W/Inspector General

SUBJECT: INFORMATION: Contractor Travel Costs
Report Number IG-00-051

The NASA Office of Inspector General has completed an audit of Contractor Travel Costs. We found that policies and procedures of the selected contractors¹ comply with applicable regulations and address the Federal Acquisition Regulation (FAR). Also, the Johnson Space Center (Johnson) independently launched a commendable initiative to reduce contractor travel costs by 20 percent. However, the targeted reduction in travel costs does not appear to be achievable or measurable on the more than \$24 billion in contracts awarded by Johnson. As a result, implementation of the cost-saving initiative has faltered and best practices have not effectively been identified.

Background

In fall 1998, the Director, Johnson Space Center (the Center Director) established a functional review team to assess Center requirements to determine whether there were areas in which Johnson could either reduce costs or increase efficiency. The former Johnson Assistant Director for Procurement (the former Assistant Director) led the team that was tasked to provide an independent assessment. One of the team's recommendations was to reduce civil service and contractor travel costs.

In May 1999, the Center Director cited the reduction of travel costs as a high priority and tasked Johnson's Office of Procurement to significantly reduce Johnson's contractor travel costs. The Center Director challenged the Office of Procurement to develop a means of reducing contractor travel costs by 20 percent. While the audit showed that the 20-percent reduction may not be achievable or measurable, there is value in sharing contractors' best practices with other contractors.

¹The five major NASA contractors were United Space Alliance (Houston, Texas); Lockheed Martin Corporation (Bethesda, Maryland); Lockheed Martin Technologies Services Group (Cherry Hill, New Jersey); the Boeing Company (Seattle, Washington); and the California Institute of Technology (Pasadena, California).

Recommendation and Management's Response

We recommended that the Center Director establish a plan of action and milestones for the cost-saving initiative that focus on completing the initiative by identifying and communicating best practices to contractors. Management concurred. The Center Director plans to collect best travel cost practices from the local contractor community and share those concepts with all Johnson contractors. The Center Director anticipates completion of this initiative by November 2000.

Details on the status of the recommendation are in the recommendation section of the report.

[original signed by]

Roberta L. Gross

Enclosure

Final Report on Audit of Contractor Travel Costs

**FINAL REPORT
CONTRACTOR TRAVEL COSTS**

W

September 26, 2000

TO: AA/Director, Johnson Space Center

FROM: W/Assistant Inspector General for Auditing

SUBJECT: Final Report on Audit of Contractor Travel Costs
Assignment Number A9905600
Report Number IG-00-051

The subject final report is provided for your information and use. Our evaluation of your response is incorporated into the body of the report. The recommendation will remain open for reporting purposes until corrective action is completed. Please notify us when action has been completed on the recommendation, including the extent of testing performed to ensure corrective actions are effective.

If you have questions concerning the report, please contact Mr. Dennis E. Coldren, Program Director for Human Exploration and Development of Space Audits, at (281) 483-4773, or Ms. Loretta Garza, Auditor-in-Charge, at (281) 483-0483. We appreciate the courtesies extended to the audit staff. The report distribution is in Appendix F.

[original signed by]

Russell A. Rau

Enclosure

cc:

B/Chief Financial Officer

B/Comptroller

BF/Director, Financial Management Division

G/General Counsel

H/Associate Administrator for Procurement

JM/Acting Director, Management Assessment Division

M/Associate Administrator for Space Flight

NASA Office of Inspector General

IG-00-051
A9905600

September 26, 2000

Contractor Travel Costs

Introduction

The NASA Office of Inspector General completed an audit of contractor travel costs. The overall objective was to determine whether opportunities exist to reduce travel costs incurred by major NASA contractors. Specifically, we determined whether contractor:

- policies ensure that travel is directly related to the Statement of Work and comply with the FAR, contract, and other requirements;
- policies and practices regarding airfare and other travel expenses are designed to minimize costs incurred; and
- management has developed programs to reduce travel costs.

Appendix A contains a detailed description of our objectives, scope, and methodology.

The FAR describes allowable contractor travel costs. It states that costs incurred by contractors on official business are allowable provided the costing method used results in a reasonable charge. In May 1999, the Center Director announced an initiative to reduce contractor travel costs at Johnson by 20 percent. Johnson used the initiative as a means of reducing overall operating costs.

Results in Brief

Based on limited compliance testing, we determined that policies and procedures of the selected contractors comply with applicable regulations and address the FAR. Also, the contractors' policies and procedures allow flexibility to implement cost savings, and most contractors identified cost-saving initiatives. Appendix B provides details on these audit results. In addition, the Defense Contract Audit Agency (DCAA) regularly performs incurred cost audits to further ensure implementation of the contractors' policies and the allowability, allocability, and reasonableness of contractor travel costs.

With no requirement to do so, Johnson commendably launched an initiative to reduce contractor travel costs by 20 percent. Johnson solicited and compiled a list of cost-saving ideas from its major contractors. However, the targeted reduction in travel costs does not appear to be achievable or measurable on the more than \$24 billion in contracts awarded by Johnson. As a result, implementation of the travel-saving initiative has faltered and best practices have not effectively been identified.

Planning and Implementation of Cost-Saving Initiative

Before announcing the initiative to the contractors, the Johnson Director, Office of Procurement, (the Procurement Director) informed the Center Director that he could reduce contractor travel costs by 5 percent, based on a limited review performed by his office while planning the initiative. The Procurement Director added that travel costs were low risk because contractors were already controlling costs through incentive-based² contracts and because DCAA would review travel costs during incurred-cost audits. However, the Center Director maintained his opinion that 20 percent was an achievable reduction and should be the goal.

Request for Cost-Saving Ideas from Contractors

In May 1999, the former Assistant Director tasked the contracting officers of Johnson's major contracts to meet with the contractors to explore actions that might be taken to reduce travel costs by 20 percent. (Appendix C lists the 17 major contracts and summarizes the contractors' actions in response to the initiative.)³ As summarized in Appendix C, all the contractors responded to the contracting officers.

From the contractor responses, the former Assistant Director compiled a list of recommendations. Examples of the contractor's cost-saving ideas included outsourcing travel to a competitive travel agent, purchasing nonrefundable tickets, sharing rental cars, more economical provisions for lodging, and utilizing teleconferences. The former Assistant Director instructed the contracting officers to provide the contractors with the list of recommendations to further develop a plan to achieve the targeted level of savings.

Request for Contractor Plans

Johnson took no further action on the initiative until August 1999, when the Procurement Director requested a progress report from the former Assistant Director on actions taken to achieve the targeted reduction in travel costs. In response, the former Assistant Director requested that the cognizant contracting officers:

- evaluate any travel initiative received from the contractors and the progress that the contractors had made toward meeting those goals,
- submit a plan describing how the travel initiatives would be addressed on each contract, and
- address the contractor's performance on this initiative separately in determining fee for award-fee contracts.

²Incentive-based contracts allow contractors to keep a predetermined amount, usually represented by a percentage, of contract savings.

³The 17 contracts were with 14 contractors. To avoid confusion, the report discusses the 17 contracts as if they were with separate contractors.

Actions Taken by Contracting Officers and Contractors

Johnson did not ensure that all contractors were requested to provide a plan and did not determine why some contractors did not respond to the request. The contracting officers asked 7 of the 17 contractors to develop a plan to meet the 20-percent cost-reduction goal including a description of the proposed initiatives and a schedule for implementation. The contracting officers also asked that the contractors submit the plan by September 15, 1999, and notified them that, starting October 1, 1999, Johnson would use the plan during award fee evaluations as the basis for evaluating a contractor's progress toward meeting the goal. However, the contracting officers did not change the contractors' award fee structure. Instead, the contracting officers subjectively assessed contractor success in reducing travel costs as one of several factors in evaluating the contractors' overall performance on the contract. Of the seven contractors that Johnson asked to provide a plan, five contractors responded (see Appendix C). For one of the two remaining contractors, the contracting officer assumed that the contractor had not responded because the contract expired on September 30, 1999. The contracting officer for the other contractor did not follow up on the reason it failed to respond.

For the 10 contractors not asked to provide a plan, contracting officers intentionally did not ask 2 contractors to provide a plan. The COTR did not agree that one of the contractors could reduce travel costs because it travels only at the direction of the Government. The contracting officer on the other contract elected not to include a separate area of emphasis in the contractor's award fee evaluations, but offered an alternative course of action. The contracting officer planned to comment on the contractor's efforts to reduce travel under a contract management subfactor in the award fee evaluation. The contracting officer also asked the contractor to provide information in its self-evaluation report on its progress in reducing travel costs. Contracting officers provided documentation showing that two other contractors provided Johnson with a plan; however, the contracting officers could not provide us a copy of a request for a plan sent to those two contractors. Furthermore, other contracting officers could neither recall nor provide us documentation on whether they asked the remaining six contractors to prepare a plan (see Appendix C).

Involvement by Johnson Procurement Director

After the August 1999 request for a progress report, the Procurement Director did not request another status report on the initiative. The former Assistant Director retired in February 2000, and the Procurement Director did not reassign the initiative until April 2000, to the Deputy Director of Procurement. The Procurement Director told us that the Center Director has not requested a status on the initiative since May 1999.

Measuring the Results of the Initiative

Contractors are generally not required to report travel costs separately from other direct costs when requesting reimbursement of expenditures. As a result, some contracting officers

concluded that the only way to measure the cost reduction was to have the contractors provide a comparison of its actual to budgeted travel costs for the current fiscal year. However, Johnson cannot rely on this contractor-provided comparison for measuring travel cost savings because the contractor would be establishing the baseline by estimating its own travel costs.

The Procurement Director stated that, although he could not measure the effectiveness of the initiative, he was satisfied that contractors were placing increased attention on travel costs. Also, because many of the contracts are incentive-type contracts, he was satisfied the contractors were already motivated to minimize costs.

Focusing on Best Practices

The Johnson travel cost-saving initiative is a commendable idea. However, to be successful, it needs a realistic and measurable goal and effective planning and implementation. Johnson did not have a plan to implement the initiative that outlines steps necessary to achieve the goals, milestones, and dates to measure progress and a follow-up system to ensure actions are taken. While a 20-percent reduction in contractor travel costs may not be achievable or measurable, there is value in sharing contractors' best practices with other contractors. We agree that cost savings should not be realized at the expense of essential travel. However, opportunities exist for cost reductions without adversely affecting the mission, such as contracting with a single travel agent, teleconferencing, sharing rental cars, negotiating rate discounts with airlines, hotels, car rentals, etc.

Recommendation, Management's Response, and Evaluation of Response

The Director, Johnson Space Center should establish a plan of action and milestones for the cost-saving initiative that focus on completing the initiative by identifying and communicating best practices to contractors.

Management's Response. Concur. Johnson plans to collect best practices related to travel from the local contractor community and to share those concepts with all Johnson contractors. Management also provided general comments that expressed dissatisfaction with our position that the initiative faltered while the report also states that contractors instituted travel policies and procedures that provide adequate assurance that the Government will not be overcharged. The complete text of management's response is in Appendix D.

Evaluation of Response. The actions planned by management are responsive to the recommendation. The recommendation is resolved but will remain undispositioned and open until agreed-to corrective actions are completed. Our additional comments on management's response are in Appendix E.

Appendix A. Objectives, Scope, and Methodology

Objectives

The overall objective of the survey was to determine whether opportunities exist to reduce travel costs incurred by major NASA contractors. Specifically, we determined whether contractor:

- policies ensure that travel is directly related to the Statement of Work and comply with the FAR, contract, and other requirements;
- policies and practices regarding airfare and other travel expenses are designed to minimize costs incurred; and
- management has developed programs to reduce travel costs.

Scope and Methodology

To satisfy our objectives, we obtained and performed a limited review of travel policies and procedures for five major NASA contractors:

- United Space Alliance (Houston, Texas);
- Lockheed Martin Corporation (Bethesda, Maryland);
- Lockheed Martin Technologies Services Group (Cherry Hill, New Jersey);
- The Boeing Company (Seattle, Washington); and
- California Institute of Technology (Pasadena, California).

We also reviewed travel cost initiatives begun by the contractors. We reviewed the United Space Alliance and Lockheed Martin Technologies Services Group practice of charging travel costs to public vouchers. We performed a limited review of the advance travel agreement between United Space Alliance and NASA and between Boeing and the Government.

To achieve the audit objectives, we relied on computer-processed data to review the contractors' practice of charging travel costs to the billing system. Although we did not perform a formal reliability assessment of the computer-processed data, we determined that the travel costs in the billing system agreed with source documents. We did not find errors that would preclude use of the computer-processed data to meet the audit objectives or that would change the conclusions in the report.

During our review of Boeing's advance travel agreement, we found that the DCAA was reviewing similar issues. Specifically, DCAA was reviewing international travel costs for the International Space Station contract and determining the reasonableness of the advance travel agreement. DCAA plans to issue a report on the audit by September 30, 2000. Consequently, we terminated work on that area pending the results of the DCAA audit.

Appendix A

Management Controls Reviewed

We reviewed management controls relative to contractor travel costs as described in FAR 31.206-46, "Travel Costs." We considered management controls to be adequate except that controls needed to be strengthened to ensure that Johnson establishes a plan of action and milestones for completing its cost-saving initiative.

Audit Field Work

We performed our field work in Houston, Texas, from October 1999 through July 2000. We performed the audit in accordance with generally accepted government auditing standards.

Appendix B. Overall Audit Results

Contractor Travel Policies Comply with the FAR

NASA contractors are required to comply with FAR 31.205-46, "Travel Costs," which describes allowable contractor travel costs. It states that costs incurred by contractors on official business are allowable provided the costing method used results in a reasonable charge. The costs shall be considered to be reasonable and allowable only to the extent that they do not exceed on a daily basis the maximum per diem rates in effect at the time of travel.

Our audit results showed that selected contractors have instituted travel policies and procedures that comply with Federal travel laws and regulations and provide adequate assurance that travel costs should not result in overcharges to the Government.

United Space Alliance. Travel policies and procedures address the criteria outlined in the FAR. United Space Alliance does allow for exceptions on airfare to executive-level employees. These employees may fly business or first class and use actual expenses for reimbursement. However, United Space Alliance cannot charge costs to the Government in excess of those indicated in the FAR. In addition, NASA is protected by an advance travel agreement on executive-level employees. Our review showed that United Space Alliance's Advance Travel Agreement is reasonable and has little impact because it applies only to a limited number of employees; otherwise NASA receives the full benefit of coach versus first-class cost comparisons. The policy should not have a significant dollar impact because of the few people affected.

Lockheed Martin Corporation. Travel policies and procedures comply with laws and regulations and provide assurance that travel costs will not result in overcharges to the Government. The procedures address FAR limitations. Specifically, the travel policy states that employees will abide by all applicable laws and regulations and customer requirements and that travel activities will be conducted in the most economical manner practicable. Employees are required to use only the travel service agencies approved by the Lockheed Martin Corporation.

Lockheed Martin Technology Services Group. Travel policies and procedures comply with laws and regulations and provide assurance that travel costs should not result in overcharges to the Government. The procedures address the FAR requirements and define allowable and unallowable costs. Employees are required to use only the travel service agency approved by the Lockheed Martin Technology Services Group for business travel arrangements. All travel modes shall be reimbursed at the most practicable economical rate available and at the lowest customary standard coach fare.

California Institute of Technology. Travel policies and procedures comply with laws and regulations and address per diem ceilings and airfare as outlined in the FAR.

Appendix B

The Boeing Company. Boeing's Travel policy and procedures address reimbursement requirements, but they do not address FAR 31 limitations on per diem. However, as of January 1, 2000, Boeing issued a disclosure statement that addresses allowability of travel cost up to the per diem amount. Boeing's policy also states that all employees can fly business class for foreign travel. However, Boeing has a travel advance agreement with the Government that decreases airfares based on a negotiated amount. As part of the agreement, Boeing will provide an updated study on travel cost savings by September 30, 2000.

Policies and Procedures Designed to Minimize Travel Costs

Our review of selected contractors showed that the contractors have initiated travel cost-saving initiatives either independently or at NASA's direction as illustrated below:

United Space Alliance. Travel cost-saving initiatives include establishing a team in September 1999 to update, enhance, and reorganize current travel policy and procedures. Also, United Space Alliance selected a single travel agency and hopes to incorporate employee expenses into payroll system. United Space Alliance is also considering a paperless automated system.

Lockheed. Travel cost-saving initiatives include establishing a Corporate Travel Council that is considering the following cost-saving measures:

- Select one travel agency and one car rental agency.
- Negotiate airline carriers and rates.
- Select preferred properties.
- Negotiate discount rates.

California Institute of Technology. Travel cost-saving initiatives are built into policy and procedures to include using teleconferencing whenever practicable and limiting travel. Upon completion of travel, one individual should summarize and report results to other staff members.

Boeing. Boeing's International Space Station team intends to pursue the following travel cost-saving initiatives:

- Reduce number of status meetings.
- Challenge international travel.
- Share rental cars.
- Enforce parking at commercial lots rather than at airports.

Additionally, we performed a limited review of the practice of billing travel transactions to NASA by Lockheed Martin Space Operations (Lockheed), Cherry Hill, New Jersey, and United Space Alliance, Houston, Texas. We traced direct travel costs billed on a voucher to the source documents. Based on our limited review, we considered the Lockheed and United Space Alliance practices of billing travel as low risk.

Additional Work at The Boeing Company

In April 1999, the contracting officer for the International Space Station Contract⁴ asked DCAA-Houston to perform an audit on international travel costs with a focus on airfares and lodging for international travel. As of May 2000, DCAA-Houston has requested an assist audit from DCAA-Boeing Corporate Headquarters in Seattle, Washington, to complete the review. DCAA-Houston plans to issue its audit report by September 30, 2000. Depending upon the outcome of the audit, we may follow up on Boeing's procedures.

⁴The contract number for the International Space Station contract is NAS15-10000.

**Appendix C. Summary of Actions Taken on the
Travel Cost-Saving Initiative**

Contractor	Contract No.	Contract Type	Contract Value (\$ Million)	Johnson Notified Contractor about Initiative	Johnson Requested Plan from Contractor	Contractor Submitted Plan	Johnson Evaluating Contractor Based on Plan
Hernandez Engineering	NAS9-19181	CPAF	\$ 21	Yes	Yes	No ¹	N/A
Lockheed Martin	NAS9-19100	CPAF	1,600	Yes	Yes	Yes	Yes ²
Lockheed Martin	NAS9-98100	CPAF	1,896	Yes ³	ND	ND	ND
Lockheed Martin	NAS9-18300	CPAF	794	Yes	ND	ND	ND
Hamilton-Sunstrand	NAS9-97150	CPIF	180	Yes ⁴	ND	ND	ND
Kelsey-Seybold	NAS9-19357	CPAF	34	Yes	Yes	Yes ⁵	Yes
Wyle Laboratories	NAS9-97005	CPAF	102	Yes	Yes	Yes	Yes
Wyle Laboratories	NAS9-97114	CPAF	40	Yes	Yes	Yes	Yes
Science Applications International, Inc.	NAS9-19180	CPAF	279	Yes ⁶	ND	ND	ND
DynCorp	NAS9-99072	CPAF	51	Yes	No ⁷	N/A	N/A
Boeing	NAS15-10000	CPAF	9,304	Yes	No ⁸	N/A	N/A
United Space Alliance	NAS9-20000	CPIF	8,659	Yes	ND ⁹	ND	ND
Johnson Engineering	NAS9-18800	CPAF	334	Yes	Yes	Yes	Yes
Raytheon	NAS9-18181	CPAF	712	Yes	Yes	No ¹⁰	N/A
Indyne, Inc.	NAS9-97001	CPIF	65	Yes	ND ¹¹	ND	ND
Rothe	NAS9-97218	CPAF	53	Yes	No ¹²	N/A	N/A
TechTrans International	NAS9-19549	CPAF	30	Yes	No ¹³	N/A	N/A
Totals			\$24,154				

CPAF – cost-plus-award fee

CPIF – cost-plus-incentive fee

N/A – not applicable

ND – Not Determinable –We requested information from Johnson on June 23, 2000, but the information was not available in the contract files.
See notes on next page.

Notes :

1. The contracting officer reported a comparison of actual travel to budgeted travel, and the contractor agreed to accommodate the 20-percent reduction by eliminating Russian travel. However, the contract expired on September 30, 1999, and the contracting officer did not make any further requests for the plan.
2. The contractor reports actual travel costs and not budget costs to the contracting officer during monthly management meetings. The contractor's actual travel costs are 16-percent less than budgeted travel costs for 2000.
3. The contracting officer planned to evaluate Lockheed Martin's performance as part of the cost evaluation in the award fee process. The contractor was to provide its progress in its self-evaluation.
4. The contracting officer was concerned with further reductions in travel costs because the total contract value was initially reduced by a negotiated \$50,000 "management challenge." The contracting officer stressed that further restriction in travel could have a serious effect on the contractor's ability to perform. Therefore, the contracting officer did not recommend an area of emphasis change on the award fee evaluation.
5. The contracting officer sent the contractor a letter requesting a plan on how the contractor will meet the 20-percent reduction. The plan was due to the contracting officer by September 15, 1999. Although the contracting officer did not receive the plan until June 2000, the contractor has communicated travel cost through technical interaction and meetings.
6. The contracting officer reported a comparison of actual costs to budgeted costs. The contractor stated it reduced travel costs by ensuring that only essential personnel travel, that efficient itineraries were planned, and that teleconferencing was not a viable option.
7. The COTR did not agree that the contractor could reduce travel. The contracting officer stated "Aircraft Operation Division (AOD) evaluates contractor travel on a monthly basis, as it is reported to us on their monthly reports. The COTR considers the current travel rate for each contractor to be consistent with AOD tasking. On a case-by-case basis, travel has been and will be queried when there is any question as to the plans versus the tasking. The COTR judges that to reduce the travel rates by the two AOD contractors is undesirable from a mission completion standpoint."
8. In May 1999, Boeing submitted a letter describing the steps it is taking to reduce travel costs on the contract. The contracting officer elected not to include a separate area of emphasis for travel reductions on the award fee evaluation. However, the contracting officer stated she would comment on Boeing's efforts to reduce travel under the award fee subfactor for contract management. The contracting officer asked Boeing to provide information on its progress toward the 20-percent goal when Boeing prepares its self-evaluation.
9. The contracting officer believes that the contractor is already motivated to keep travel costs to a minimum because the contract has an incentive of a 65/35-share line on contract underruns. In addition, the contractor has an advance travel agreement with Johnson whereby costs for first-class travel by certain executives is decreased for purposes of contract charges.
10. Although the contractor did not submit a plan, Johnson has been monitoring the decline in the contractor's average cost per trip from June 1999 to June 2000.
11. The contracting officer stated he would monitor and evaluate the contractor's performance on travel costs under the Program Management element of the award fee.
12. Although the contract files did not document that the contracting officer sent a letter requesting a plan, the contracting officer stated the contractor is being evaluated on travel costs during award fee evaluations.
13. Although the contract files did not document that the contracting officer sent a letter requesting a plan, the contractor's travel costs have declined annually for the last 3 years.

Appendix D. Management's Response

National Aeronautics and
Space Administration
Lyndon B. Johnson Space Center
2101 NASA Road 1
Houston, Texas 77058-3696



Reply to Attn of: BD5

SEP 22 2000

TO: NASA Headquarters
Attn: W/Assistant Inspector General for Auditing

FROM: AA/Director

SUBJECT: Management Response to the OIG's Draft Report on Audit of Contractor
Travel Costs, Assignment Number A9905600

We have reviewed the subject audit report, and thank you for the opportunity to provide comments. This audit is indeed factual in that a significant challenge was put forth as an initiative to reduce travel costs on contract activity at the Johnson Space Center. The Center acknowledges your findings that the "audit results showed that selected contractors have instituted travel policies and procedures that comply with Federal travel laws and regulations and provide adequate assurance that travel costs **will not result in overcharges** to the Government" (emphasis added).

The procurement office began its travel initiative clearly understanding that it was a challenge. Travel costs had not been separately negotiated in any of the contracts, thus, there existed no firm contractual baseline from which to evaluate the cost impact of the initiative. There are many factors contributing to the difficulty of the initiative; indeed, the audit itself noted that the "targeted reduction in travel costs does not appear to be achievable or measurable." All of this did not deter our attempts to reduce costs.

NASA did run into many hurdles with the initiative. For example, while not reflected in the audit, several contractors argued vehemently that they held a performance-based contract, negotiated at the bottom line, and management of component cost elements was their responsibility and not NASA's. The audit does reflect that the majority of the contracts were incentive fee contracts with existing significant motivation to reduce ancillary travel cost. Again, while the challenge was significant, it did not stop the Center from attempting the difficult. What is disturbing is that the audit report discusses, at length, that the procurement office "faltered" in its implementation of the travel-saving initiative, while offering its own determination (reflecting that found earlier by JSC) that, based on existing requirements and procedures, "travel costs will not result in overcharges to the Government."

See Appendix E,
OIG Comment

Below is our response to the audit recommendation.

Recommendation for Corrective Action

"The Director, Johnson Space Center should establish a plan of action and milestones for the cost-saving initiative that focus on completing the initiative by identifying and communicating best practices to contractors."

Concur. Albeit, the parties may disagree as to the implementation of the initiative, it is agreed that, despite the audit findings that proper administration and precautions are present, the sharing of best practices is valuable. Therefore, our plan of action is to have the Deputy Director of Procurement collect "best travel cost practices" from the local contractor community, and in a letter to all JSC contractors, share those concepts. Milestones for this action will be to issue a letter of request by October 15, requesting input from the contractors by November 1, and issue the best-practices letter on or before November 15, 2000. With the other safeguards acknowledged in the audit, this action will satisfactorily complete the travel cost initiative.

If you have any questions regarding this response, please contact Ms. Pat Ritterhouse, Audit Liaison Representative, at 281-483-4220.



George W. S. Abbey

cc:
BA/R. Gish
HQ/JM/J. Werner
HQ/MX/G. Gabourel

Appendix E. Office of Inspector General Comments on Management's Response

Johnson management provided the following general comments in its response to our draft report. Our responses to the comments are also presented.

Management's Comment. Management stated that the audit report discusses at length that the procurement office faltered in its implementation of the travel-saving initiative while the report also concludes that based on existing requirements and procedures, travel costs will not result in overcharges to the Government, which reflects a similar determination made earlier by Johnson.

Office of Inspector General Comments. Management's comments imply an inconsistency between our conclusion regarding contractor travel policies and procedures and our conclusion regarding the Johnson travel initiative. The two conclusions are not contradictory. Our determination that policies and procedures of selected contractors comply with applicable regulations and that the contractors' policies and procedures allow flexibility to implement cost savings does not relate to our conclusion about the effectiveness of the Johnson initiative. Sound contractor policies and procedures provide adequate assurance that travel costs will not result in overcharges to the Government; however, the Johnson initiative does not permit a determination on whether targeted savings can be achieved or measured. We do not imply that Johnson's initiative will cost the Government more money, only that it will be difficult to determine whether travel costs have been reduced. Also, our report states that the initiative faltered, not that the procurement office faltered.

Appendix F. Report Distribution

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Senate Committee on Appropriations
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Senate Committee on Commerce, Science, and Transportation

Senate Subcommittee on Science, Technology, and Space
Senate Committee on Governmental Affairs

Appendix F

Chairman and Ranking Minority Member – Congressional Committees and Subcommittees (cont.)

House Committee on Appropriations

House Subcommittee on VA, HUD, and Independent Agencies

House Committee on Government Reform

House Subcommittee on Government Management, Information, and Technology

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Report Title: _____

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	Media
NASA Employee	Public Interest
Private Citizen	Other: _____
Government: _____	Federal: _____ State: _____ Local: _____

May we contact you about your comments?

Yes: _____ **No:** _____

Name: _____

Telephone: _____

Thank you for your cooperation in completing this survey.

Major Contributors to the Report

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