



## NASA OFFICE OF INSPECTOR GENERAL

OFFICE OF AUDITS  
SUITE 8U71, 300 E ST SW  
WASHINGTON, D.C. 20546-0001

June 20, 2024

TO: Catherine Koerner  
Associate Administrator for Exploration Systems Development Mission Directorate

SUBJECT: *Management Alert: Misuse of Government Furnished Property at Contractor Facility*  
(ML-24-007; A-23-08-01-HED)

The Office of Inspector General initiated an audit in August 2023 examining NASA's Space Launch System Block 1B development. We have not yet completed the audit; however, during our review of NASA's Space Launch System booster contracts awarded to the Northrop Grumman Corporation (NGC), we identified an issue that warrants immediate management attention.<sup>1</sup> The purpose of this memorandum is to alert you to NGC's use of the Agency's Government Furnished Property (GFP) at its Promontory, Utah, plant for non-NASA purposes.<sup>2</sup>

We were made aware of two instances of improper utilization of GFP for commercial purposes. First, NGC has been using specialized storage containers owned by NASA without authorization or payment. These containers are designed for handling and storing ammonium perchlorate, a critical ingredient in the fuel for solid rocket boosters. While initial agreements allowed NGC to use NASA's containers for both government and commercial purposes, those agreements expired in 2023, and NASA declined to renew them while it determines the appropriate disposition of the property. According to NASA officials, NGC requested to continue its commercial use of the property by purchasing 1,570 containers from the Agency at a significant discount—approximately \$157,000 rather than at an acquisition cost of \$3.1 million (i.e., 5 percent of what NASA originally paid for the containers in 1982 and 1983). Federal regulations require that the Agency prioritize competitive commercial purchase of government property unless the contractor wishes to purchase the property at the full acquisition cost.<sup>3</sup> NGC's attempt to

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<sup>1</sup> We reviewed two contracts awarded to NGC: (1) the Boosters contract, which provides boosters for Artemis I through III, and (2) the Booster Production and Operations Contract, which provides boosters for Artemis IV through IX.

<sup>2</sup> GFP means property in the possession of, or directly acquired by, the government and subsequently furnished to the contractor for the performance of a contract. GFP includes, but is not limited to, spares and property furnished for repair, maintenance, overhaul, or modification.

<sup>3</sup> 41 C.F.R. § 102.38 (2003) and FAR Part 45 (2024).

acquire the containers at 5 percent of their original value is not in accordance with federal guidelines and bypasses the intended competitive and fair market processes outlined by federal regulations.

Our review identified a second instance of GFP misuse where NGC used an X-ray machine—provided by NASA for the inspection of solid rocket boosters—for services to other commercial customers, resulting in additional wear on the machine, which then had to be replaced. According to NASA officials, the Agency bore the entire cost of replacing this machine, which was reported to be in the hundreds of thousands of dollars. Subsequently, NASA limited NGC’s use of the X-ray machine solely for its Space Launch System boosters rather than for commercial purposes.

NGC’s commercial use of GFP, including the ammonium perchlorate containers and the X-ray machine, may indicate broader weaknesses in NASA’s property management and oversight practices. Including the ammonium perchlorate containers, the Agency has almost \$1.6 billion worth of GFP related to the Boosters contract at the Promontory facility. The high value of GFP at this facility highlights the need for additional Agency oversight. We have not, however, reviewed the use of NASA’s full inventory of GFP at the Promontory facility. Furthermore, we have not reviewed the use of NASA GFP at other commercial provider facilities, nor have we been made aware of similar concerns elsewhere.

To better ensure the proper use of NASA’s GFP, we recommended that you coordinate with the Assistant Administrator for Procurement to address the identified instances of NGC’s GFP misuse at its Promontory, Utah, facility.

We provided a draft of this memorandum to NASA management who concurred with our recommendation and described planned actions to address it. We consider the proposed actions responsive and will close the recommendation upon completion and verification.

Management’s comments are reproduced in Enclosure I. Technical comments provided by management and revisions to address them have been incorporated as appropriate.

If you have questions or wish to comment on the quality or usefulness of this memorandum, contact Laurence Hawkins, Audit Operations and Quality Assurance Director, at 202 358 1543 or [laurence.b.hawkins@nasa.gov](mailto:laurence.b.hawkins@nasa.gov).<sup>4</sup>

Kimberly F. Benoit  
Assistant Inspector General for Audits

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<sup>4</sup> Pursuant to PL 117-263, section 5274, non-governmental organizations and business entities identified in this memorandum have the opportunity to submit a written response for the purpose of clarifying or providing additional context to any specific reference. Comments must be submitted to [HQ-Section5274Submissions@nasa.gov](mailto:HQ-Section5274Submissions@nasa.gov) within 30 days of the memorandum issuance date and we request that comments not exceed 2 pages. The comments will be appended by link to this memorandum and posted on our public website. We request that submissions be Section 508 compliant and free from any proprietary or otherwise sensitive information.

cc: Karla Smith Jackson  
Assistant Administrator for Procurement

**Enclosures—1**

## Enclosure I: Management's Comments

National Aeronautics and Space Administration

**Mary W. Jackson NASA Headquarters**  
Washington, DC 20546-0001



Reply to Attn of: Exploration Systems Development Mission Directorate

TO: Assistant Inspector General for Audits

FROM: Associate Administrator for Exploration Systems Development Mission Directorate

SUBJECT: Agency Response to OIG Management Alert, "Misuse of Government Furnished Property at Contractor Facility" (A-23-08-01-HED)

The National Aeronautics and Space Administration (NASA) appreciates the opportunity to review and comment on the Office of Inspector General (OIG) draft management alert entitled, "Misuse of Government Furnished Property at Contractor Facility" (A-23-08-01-HED), dated May 21, 2024. The issues identified were found during OIG's audit of NASA's Space Launch System (SLS) booster contracts awarded to the Northrop Grumman Corporation (NGC).

In the management alert, the OIG noted two instances of NGC's improper utilization of the Agency's Government furnished property (GFP) for commercial purposes at its Promontory, Utah, facility. First, the OIG found that NGC has been using specialized storage containers owned by NASA for both Government and commercial purposes. The second instance noted was NGC's use of an X-ray machine—provided by NASA for the inspection of solid rocket boosters—for services to other commercial customers, resulting in additional wear on the machine, which then had to be replaced.

NASA monitors its contractors through a variety of mechanisms to ensure they meet the Agency's standards and requirements. NASA expects its contractors to adhere to all contractual obligations and regulations regarding the utilization of Government-provided resources. To appropriately manage the amount of GFP, NASA and NGC are identifying additional property that is no longer needed to support Artemis missions and can be dispositioned as excess.

The OIG makes one recommendation addressed to the Associate Administrator (AA) for Exploration Systems Development Mission Directorate (ESDMD).

Specifically, the OIG recommends:

**Recommendation 1:** The AA for ESDMD should coordinate with the Assistant Administrator for Procurement to address the identified instances of NGC's GFP misuse at its Promontory, Utah, facility.

**Management's Response:** NASA concurs.

Regarding the improper use of specialized storage containers owned by NASA, in the 1980s, NASA purchased a significant number of storage containers for handling and storing ammonium perchlorate to support the Space Shuttle Program. While necessary at the time, it has now been determined that this supply exceeds the number needed for the Artemis Campaign. The sale of the excess containers, finalized in May 2024, utilized the Federal competitive commercial purchase process. Due to the significant passage of time, the financial value of these storage containers would have depreciated significantly. ESDMD will work with the Office of Procurement to validate that the appropriate depreciation formula was accounted for in the sale of the equipment. In addition, NGC will be billed for any unauthorized use that occurred during the disposition process.

Regarding the use of the X-ray machine for commercial purposes, NASA has added a restriction that limits its use to the NASA SLS Program due to its criticality in Artemis production processes, unless there is a clear benefit to NASA. While cross-utilization of GFP is often beneficial to the Government as it allows shared overhead and upkeep of the property, restrictions have been placed on GFP deemed critical to avoid potential cost and schedule impacts to NASA programs and projects. To further improve the oversight and accountability of all cross-utilization requests, NASA delegated the processing of these requests to the Defense Contract Management Agency (DCMA) in November 2023 due to its extensive experience with Government property and DCMA's co-location with NGC in Utah. ESDMD, with the Contracting Officer from the Office of Procurement, will also require NGC to report the actual percentage of time the X-ray machine was used for commercial purposes. Understanding the percentage of commercial use is crucial and it will provide insight into the severity and frequency of use, allowing for a more accurate assessment of its impact.

**Estimated Completion Date:** August 31, 2024.

We have reviewed the draft management alert for information that should not be publicly released. As a result of this review, we have not identified any information that should not be publicly released.

Once again, thank you for the opportunity to review and comment on the subject draft management alert. If you have any questions or require additional information regarding this response, please contact Christine Solga at (202) 358-1238.

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Catherine A. Koerner