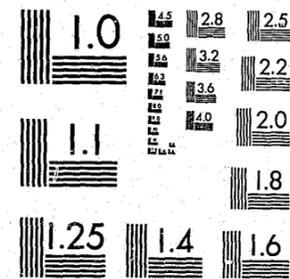


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Office Of Inspector General

# Semiannual Report

October 1, 1979 - March 31, 1980

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**NASA**  
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INTRODUCTION

This is the third Semiannual Report of the NASA Office of Inspector General (OIG). Six months ago we reported that the office was in transition in the sense that previously separate audit and investigative organizations were being brought together to function as a team for the first time. This change required a new organizational structure, new reporting channels, improved coordination and communication, physical relocation of staff, and the recruitment of new management and professional staff.

Some of the highlights of the past six months are as follows:

- o A major nationwide reorganization of Inspector General (IG) operations was carried out with a minimum of disruption or hardship to employees.
- o The investigative capability has been expanded from the minimal staff of five professionals in the field to a capability to cover every major NASA installation.
- o Various mechanisms for cooperation and communication between auditors and investigators have been put in place.
- o The two key personnel appointments required by the IG Act have been made. Mr. J. Brian Hyland, formerly of the Federal Bureau of Investigation, has been employed as the Assistant Inspector General for Investigations. Mr. Anthony J. Gabriel, previously with the U.S. General Accounting Office, is the Assistant Inspector General for Auditing. Mr. George Pilarinos, the former Deputy Assistant Director for Administration at the National Science Foundation, has been performing the function of Assistant Inspector General for Management throughout this formative period.
- o We have developed and implemented new policies and procedures for the audit and investigations programs to conform to the requirements and responsibilities of the IG Act.

- o We have initiated our first large-scale audit of a major NASA program--the Tracking and Data Relay Satellite System (TDRSS). This audit will examine NASA Headquarters program oversight, project management at NASA field installations and system management by several major aerospace contractors.
- o We have installed word processing equipment in IG offices at each major NASA installation and have designed a computerized information system to tie the organization together productively.
- o We have determined the facts in a serious, protracted supervisor/employee dispute inherited by the IG organization to assure that the highest professional standards are enforced in the conduct of Inspector General operations.

With these actions behind us, I believe we are now ready to move forward with implementation of the substantive intent of the Inspector General Act.

  
 Eldon D. Taylor  
 Inspector General

## CHAPTER I ORGANIZATION AND MANAGEMENT

A. Organization. The new organizational structure described in the October 1979 report was implemented as planned on November 4, 1979. (An organization chart is provided in Appendix I.) The reorganization required the physical movement of twelve Inspector General (IG) employees. This represents 13 percent of the FY 1980 staff ceiling of 89 positions and was the minimum necessary to produce a reasonable alignment of resources. One employee appeal to the Merit Systems Protection Board resulted from the reorganization. The Merit Systems Protection Board upheld the IG transfer action.

At the Headquarters level of the Office of Inspector General, the organization is now divided into three components each headed by an Assistant Inspector General.

- o The Assistant Inspector General for Auditing, a position specified in the Inspector General Act of 1978, assists the Inspector General in planning and executing the IG audit program at NASA and supervises the performance of all audit activities under the general direction of the IG.

- o The Assistant Inspector General for Investigations, also specified in PL 95-452, assists the Inspector General in planning and executing the IG investigations program at NASA and supervises the performance of all investigations activities under the general direction of the IG.

- o The Assistant Inspector General for Management assists the Inspector General in developing and maintaining the integrated management systems and procedures needed to carry out the functions of the Office, including exercising the IG statutory personnel authority, and carries out special studies and surveys as requested by the Inspector General.

At the field level, the significant changes implemented by the reorganization were the following:

- o All IG field operations were grouped into three regional clusters (Eastern, Southern, Western) with a concentration of most audit and investigative staff resources at the NASA Centers selected for the Regional Offices (the Goddard Space Flight Center, the Marshall Space Flight Center, and the Ames Research Center). The clusters are headed by Regional Directors of Audits and Regional

Directors of Investigations who report to their respective Assistant Inspectors General. The cluster concept emphasizes mobile teams of investigators and auditors to service the region rather than small, fixed groups of resident staff at each location. This team concept provides the flexibility needed to conduct larger scale and more meaningful audits and investigations than has heretofore been possible due to the limited staff resources. The small, fixed resident staff previously assigned to field locations could conduct only small, relatively routine reviews limited primarily to topics of local interest rather than of NASA-wide or program-wide significance.

o The IG investigations staff has been increased to provide at least a minimal presence at nine of the ten locations where the IG maintains a field office. In the conduct of major program audits, we will assign both audit and investigative specialists to the survey team. The criteria for assignment to those teams will be individual qualifications and experience rather than occupational specialty. This coordinated approach makes productive use of the unique characteristics of the two disciplines.

o To promote communication and coordination, audit and investigations personnel are being located in contiguous office space at each major field installation. The typical office arrangement will also require the sharing of secretarial/clerical support and equipment.

The cluster concept described above relies heavily on the availability of travel funds. Since travel funds and other support costs have since been restricted, this organizational design may turn out to be a problem. We will carefully monitor operations in the coming months to determine the impact of the fund limitations on our ability to function effectively.

B. Inspector General Staff Resources. Before the establishment of the Office of Inspector General, the personnel ceiling for the equivalent functions at NASA was 79 positions. As noted in the last Semiannual Report, the Inspector General determined that this level of resources was inadequate to conduct meaningful audit and investigative programs. NASA management authorized an immediate increase of ten positions in the Fiscal Year 1980 ceiling and requested 25 additional positions for the Office of Inspector General in the FY 1981 NASA budget (presently before the Congress).

Meanwhile, at the time of the reorganization in November 1979, the on-board strength had dropped below 60 because of

retirements and other attrition and an intensive nationwide recruitment effort was begun. In the past six months, approximately 30 highly qualified auditors and investigators have been employed and we are close to the minimum FY 80 requirement of 89 positions needed to get the new IG programs underway.

The proposed total of 114 positions for Fiscal Year 1981 would permit an orderly development of a strong Inspector General program at NASA over the next year or so. At that level, several complex program audits could be conducted annually and the audit cycle could be brought into a more reasonable time frame. In addition, at the 114 level, a strong investigative capability concentrated on white collar crime (as opposed to relatively small individual crimes such as theft) would be possible. Staffing requirements for future years will be based on the experience gained in this developmental FY 80-81 period.

C. Planning and Coordination. A new NASA directive containing the policies and procedures for the conduct of the audit program in accordance with the Inspector General Act of 1978 was issued in January 1980. This directive includes a requirement for an annual audit plan along with general guidance as to its development. More detailed instructions on preparation of the first plan under the new Inspector General organizational structure were issued in a special Inspector General Memorandum. Under these new instructions, the audit plan is prepared on a fiscal year cycle based on proposed plans submitted by the three IG Regional Directors of Audit. These are reviewed by the Assistant Inspector General for Auditing and discussed in detail at an IG Regional Directors meeting. NASA management input is also solicited. The final plan is approved and issued by the Inspector General. The plan is reviewed every few months to determine if modifications are needed to meet new requirements.

In order to assure effective coordination of the audit and investigations programs, the Inspector General and the Assistant Inspectors General meet with the group of six Regional Directors of Audits and Investigations three times each year. These meetings are devoted to review and approval of audit/investigative plans, progress reports on current activities, and management problems such as staffing or professional training requirements. We hope to instill a sense of interdependency by requiring a close working relationship between the audit and investigative leadership.

D. Inspector General Hotline. Several steps have been taken to encourage people to provide information on fraud, abuse, or mismanagement to the Office of Inspector General.

- o A toll-free "800" telephone number available 24 hours a day has been established to serve callers from anywhere in the country. This central number goes into effect in April 1980 and replaces the previous decentralized system of multiple telephone numbers associated with each NASA installation.
- o A special IG post office box has been established for the receipt of written information and complaints.
- o A NASA-wide Special Announcement has been developed to be issued when the new hotline service is turned on in April. This Announcement, and posters to be put up at NASA installations, make specific mention of contractor employees as well as NASA employees as potential users and stress confidentiality and protection from reprisal.
- o A new NASA directive outlining the policies and procedures for the OIG investigations program is now under development, scheduled for release in April or early May. This directive specifically advises employees of their obligation to report any violations to the Inspector General.
- o An internal Inspector General Memorandum was issued streamlining the procedures to be followed in processing complaints. These procedures focus responsibility for action and follow-up and provide for close coordination in cases requiring both audit and investigative effort.

These measures are expected to make our hotline more effective in the months ahead.

E. Assurance of Professional Standards for Audit. The October 1979 Semiannual Report identified a long standing dispute between the former NASA Director of Audit and a subordinate, one of the Regional Directors of Audit in the predecessor audit organization. In summary, the Director of Audits maintained that changes to audit reports from this Region were necessary to meet professional standards, while the Regional Auditor alleged that NASA management and the Director of Audits were engaged in suppression of his audit findings.

As noted in the last Semiannual Report, the Inspector General initiated two separate reviews in an attempt to determine the facts. First, an independent investigation of five disputed audits was performed by an outside investigator under contract. Second, a "peer review" was conducted of the Lunar and Planetary Sciences Division Audit by another Regional Director of Audits. Still a third independent review of the allegations of audit suppression was carried out by the General Accounting Office at the request of Senator William Proxmire.

The results of all three reviews are now available and the following general conclusions are provided:

- o Each review concluded that there was no basis for the allegation of audit suppression.
- o Each review concluded that audit reports did not conform with professional audit standards.

These reviews also provided the basis for initiating resolution action for each of the five disputed audits. A report on significant findings and their resolution is provided in the audit section of this report.

Finally, after a careful study of the findings of each of the three independent reviews along with other pertinent information, it has been proposed that disciplinary action be taken. The final decision on this proposed action will be reported in our next Semiannual Report.

F. Inspector General Management Information System. Significant progress has been made in the design and implementation of an automated information system to support the audit and investigations programs of the IG; to assist IG staff and NASA management in tracking the status of corrective actions on outstanding IG recommendations; and to support the administrative functions of the IG offices throughout the country:

- o Combination word processing typewriters/remote computer terminals have been installed at the Headquarters IG office and at field locations. Secretarial staff are using the word processing function to produce audit and investigations reports as well as routine daily correspondence.
- o The minicomputer that will maintain the IG data base and process data for the IG information system is scheduled for April installation. Computer programming is approximately 50 percent

complete; creation of the audit/investigations data base has begun; training materials and system documentation are being written.

Several important milestones remain to be completed before the system is put into operation. The current schedule calls for the audit subsystem to become available in April followed by the investigations subsystem in May and the miscellaneous administrative support modules in June-July 1980.

## CHAPTER II

### AUDIT ACTIVITIES

#### A. Introduction

During the six months ending March 31, 1980, the Office of Inspector General issued 26 reports on internal audits conducted by OIG auditors at NASA Headquarters and at NASA field installations. A list of these reports is presented in Appendix II. The audit staff also participated in investigations resulting from complaints received via GAO and NASA hotlines and from NASA employees.

With limited exceptions, audits of NASA contractors and grantees are performed on a reimbursable basis by the Defense Contract Audit Agency (DCAA) and Department of Health, Education and Welfare Audit Agency (DHEW). During the reporting period, 20 audit reports on NASA contractors conducted by the Defense Contract Audit Agency were processed to NASA officials as matters of special interest or for follow-up to ensure corrective action. A list of these reports is presented in Appendix II. The latest measurable results reported for all audits show that the auditors questioned over \$350 million on actions completed during FY 79 related to about 700 audit reports. This resulted in a net savings or cost avoidance of about \$50.7 million.

Paragraph B below summarizes the status of management actions on significant audit recommendations reported as open issues in previous semiannual reports. Narrative discussion is provided only on those matters which are still considered open issues or which require comment to satisfy statements made in the previous semiannual reports. Appendix III contains the full list of audit reports with significant audit matters carried forward from previous semiannual reports and shows the status of each report.

Significant new audit observations and recommendations reported in the six months ending March 31, 1980, are discussed in paragraph C. All of the following discussions are organized around the three regional clusters of the Office of Inspector General.

B. Status of Audit Recommendations Previously Reported.

1. EASTERN REGION

a. Review of NASTRAN Activities. This review of selected NASTRAN (NASA Structural Analysis) computer software activities disclosed improper or questionable use of the program by a NASA contractor who was involved in developing and maintaining the software. The use was believed to constitute a breach of contract which could require financial adjustment or other remedial action. The questionable use generally occurred because of changes and interpretations of the contract clause, "Rights in Data--Special Situations," which covers computer software developed or used by NASA contractors.

It was recommended that NASA program, technical, legal and procurement representatives advise program management of the future actions to be taken regarding other than NASA approved marketing of NASTRAN. Recommendations were also made regarding recovery of any financial damages and a technical review to determine the extent of improper use and the amount of financial damages. NASA Headquarters legal and procurement representatives concurred with the recommendations. Actions to correct the questionable usage are still in process.

b. Audit of Logistics Operation. An audit of the logistics operation (office supply, warehousing and purchasing function) at NASA Headquarters disclosed need for several management improvements to provide the basic internal controls needed. The major problems are summarized below.

- Supply items were being procured at substantially higher prices from commercial sources than prices available from GSA.
- Inventory records and supply activity data to support inventory valued at \$250,000 were not adequately maintained.
- Space was being used at the warehouse to store publications that could be shipped directly from the printer to the user.
- Position duties were not adequately separated.

Management conducted a thorough study of the logistics operations in order to respond to our recommendations.

Several of the recommendations were acted upon. In addition, the decision was made to phase out the warehousing function and to utilize the existing supply system and warehousing facility of Goddard Space Flight Center. These actions are responsive to the audit recommendation.

c. Audit of Word Processing Activities. At Goddard Space Flight Center (GSFC), improved management was needed, particularly in the controls over purchase and use of equipment and in the evaluation of productivity and utilization. A projected cost savings of \$250,000 was not achieved because of the failure to implement fully the findings of a word processing feasibility study. GSFC is taking corrective action on the recommendations. NASA Headquarters is reviewing these word processing activities to assist in achieving improvements.

2. SOUTHERN REGION

a. Audit of Reliability and Quality Assurance Activities. This audit showed that Rockwell International Corporation, Space Systems Group, and its sub-tier suppliers were not complying with criteria established for prompt recognition and reporting of problems associated with spacecraft hardware as prescribed by the Johnson Space Center's Problem Reporting and Corrective Action System. Delays in the reporting of hardware failures by contractors could result in program slippage of critical spacecraft hardware.

Johnson Space Center (JSC) management agreed with this audit observation as reported in July 1978 and informed Rockwell-International of the problem reporting deficiency by letter dated March 1, 1979. However, our subsequent audit follow-ups showed that Rockwell-International had not taken effective corrective action. A follow-up report was issued to JSC management on the need for action to correct this problem. JSC is now working with the contractor to achieve system improvements which will correct the problem reporting deficiency and will satisfactorily close the audit recommendations.

b. Audit of Calibration of Systems and Equipment. At Marshall Space Flight Center (MSFC), there were about 2,100 line items of equipment, valued at about \$10 million, which were not in an active calibration status. Some of the equipment should have been in the active periodic calibration cycle. Also, the follow-up system for items past due for calibration was generally ineffective.

Audit follow-up activities revealed that MSFC actions did not effectively resolve the deficiencies reported. A follow-on audit report was issued. The Center subsequently took adequate corrective actions.

c. Audit of Word Processing Resources. Johnson Space Center (JSC) had not established policy or defined organizational responsibilities in order to provide for effective management of word processing activities. JSC management agreed with and has taken corrective action on the recommendations. NASA Headquarters also has reviewed this word processing activity to assist in achieving improvements.

### 3. WESTERN REGION

a. Report on General and Administrative (G&A) Expenses Noncompliance with Cost Accounting Standard (CAS 410) General Dynamics Convair Division. Based on the DCAA auditor's opinion, the Defense Contract Administration Service (DCAS) Administrative Contracting Officer (ACO) in March 1978 determined that the contractor's use of a single element direct labor base to allocate divisional G&A expense for 1978 was in noncompliance with Cost Accounting Standard (CAS) 410. In February 1979 the DCAS-ACO reversed the prior determination of noncompliance. Notwithstanding this reversal, the audit position is that the contractor is in noncompliance with CAS 410 effective January 1, 1978. The estimated excess cost to the Government attributable to the noncompliance for the years 1978 through 1980 is about \$7.8 million. A significant amount of this excess cost has been charged to NASA contracts.

Because of this difference of opinion on the matter between the DCAA auditor and the DCAS ACO and the dollar impact, it was recommended that this matter be pursued by NASA management. This would include further discussion with appropriate DOD representatives.

As of March 31, 1980, the cognizant contracting officer had not notified the contractor of his noncompliance with CAS 410. However, it is our understanding that Defense Logistics Agency Headquarters has recently furnished the cognizant DCAS ACO with guidance which should aid in the resolution of this issue. We hope that the specific action currently planned will satisfactorily resolve this problem and that we will be able to report this case as closed in our next semiannual report.

b. Report on Manpower Utilization. An audit of Rockwell International SSG operations showed that nonproductivity (idle time) was about 34 percent in selected departments. The auditor estimated that if the level of nonproductivity for these departments was reduced to an acceptable level, annual cost avoidance for excess nonproductivity could be as much as \$3.7 million.

The auditor recommended that the contractor establish a program to improve supervisory monitoring employee work and activities, appoint alternate supervisors during vacation periods, and evaluate supervisor performance.

Because of prior reports on this issue, NASA Headquarters management requested Johnson Space Center (JSC) management to follow-up on the matter. A JSC review team assessed the contractor's manpower allocation procedures and methods for measuring and controlling productivity. The results of the team review were reported to NASA Headquarters management including the measures taken to increase contractor personnel awareness of the need to improve productivity.

Senior JSC management has taken an active role in the matter and arrangements have been made for Center representatives to work with the cognizant Defense Contract Audit Agency auditor to arrive at improved labor surveillance techniques. This action, together with the action previously taken by the contractor and NASA management are responsive to the audit recommendations.

c. Subcontract Administration Operations and Financial Reporting. This audit showed that substantial subcontract cost growth occurred; the prime contractor, Rockwell International, repeatedly understated the estimates at completion for subcontract work; there was a lack of verifiable documentation supporting the prime contractor's adjustments to subcontractors' "estimated at completion" costs; and there was a need for prime contractor awareness and aggressive management action on business management problems at a number of subcontractor locations. Specific audit recommendations were made to correct these deficiencies.

This report was forwarded to the Johnson Space Center for follow-up to assure corrective action. The report was also sent to the Shuttle Program Office with a suggestion that a special management and technical review and assessment be made of significant contract changes and related procedures and practices together with an assessment of the credibility of financial management data being used in measuring the contractor's performance.

These audit recommendations and suggestions were considered along with a number of other recommendations provided by other special Shuttle Program review groups. Several review group recommendations also addressed the cost estimating and financial management reporting areas. In response to these reviews, the Deputy Administrator initiated several actions including the performance of special management and technical reviews by the NASA program and Project Office, Office of Procurement and the Comptroller's Office. NASA and contractor management actions have resulted in the establishment of a revised Financial Management Reporting System and management tracking of progress in definitizing engineering changes. These actions together with actions previously taken by the contractor and NASA are responsive to the audit recommendations.

C. Significant Findings Reported During Six Months Ending March 31, 1980.

1. EASTERN REGION

a. Refuse-fired Steam Generating Facility (RFSGF) Construction. This facility is being constructed under a cooperative agreement amounting to \$10 million between a NASA Center and a neighboring City. The audit showed that the cooperative agreement inadequately considers the Federal Government's capital contribution by not allowing the Government to recover its cost in the same manner as the City. We recomputed the savings based on similar treatment of capital cost to both parties and found the Federal Government would receive an additional \$3.7 million over 20 years which is equivalent to a present value of \$1.6 million.

We recommended the Center explore the practicality of negotiating a revision to the agreement which would more equitably reimburse the Federal Government, and that future agreements be preceded by thorough financial analysis to adequately determine the economic impact. Management has agreed to reevaluate the agreement and explore the possibility of negotiating a revision which would result in the potential additional return to the Government.

b. Selected Reimbursable Activities. NASA activities performed for others on a reimbursable basis amounted to approximately \$400 million per year in FY's 1978 and 1979. About \$150 million was for domestic organizations and foreign governments. Audit showed that improvement was needed in several areas. These included processing internal billings of earned reimbursable work and the related transfer of Treasury deposit funds to NASA; return of miscellaneous receipts to the Treasury Department; collection of money due from a contractor; accounting for completed agreements; and charging other government agencies for contract administration services. The delays in processing internal billings were of particular significance since they resulted in inaccurate external reporting of NASA expenditures and an overstatement of accounts receivable. NASA management has agreed to take several actions in response to the audit recommendations.

c. Small Purchases. Audits of small purchase procedures and practices were completed at two installations in the Eastern Region. Small purchases cover primarily supplies, non-personal services and construction amounting to less than \$10,000 per individual purchase action. At each of the two installations, such purchases total well

over \$10 million per fiscal year. In both audits, observations were made of the need to improve techniques and procedures to assure sufficient competition. Also, improvements were needed in the internal controls involved in the authorizations and approvals for purchases and in the receipt of purchases. Management at both installations concurred with the audit recommendations and corrective actions are being taken.

d. Indefinite Quantity Contracts. Several problems were observed in the administration of contracts used to obtain photographic services and mailing and distribution services. Fifteen contracts totaling \$2.5 million were reviewed. The more significant findings were:

- responsibility for contract management and administration was not clearly defined
- delays in timely re-competition of new contracts resulted in additional costs
- estimates of contract requirements were unrealistic
- items were purchased outside the scope of contracts
- invoices were certified for payment without documented evidence of receipt.

Twenty recommendations for improvements were made. Management concurred with all recommendations and is taking responsive actions.

## 2. SOUTHERN REGION

a. Audit of Calibration Procedures and Practices. This audit showed a lack of consistency or uniform guidelines in the determination of which instruments should be calibrated. We recommended that one office be assigned the responsibility for establishing Center-wide calibration guidelines which apply to both NASA and on-site contractor organizations and include (a) the use of operational checks versus calibration, (b) calibration controls for items not in use, (c) a program for reevaluating calibration cycles based on historical data, (d) the establishment of field calibration laboratories when necessary, and (e) a determination as to what equipment and functions can or cannot be duplicated. Center management concurred with the recommendation and is preparing revised policy instructions.

b. Report on Mechanized Material Reporting Systems (MMRS). The audit disclosed that the contractor generally has a reliable MMRS. However, utilization of the Manufacturing Planning and Control System (MPCS) by all programs and integration of the contractors material systems data base with the Parts control System would result in a potential cost savings of \$1 million.

The audit report recommended that the contractor develop an integrated data base between the Manufacturing Planning and Control System and the Parts Control System inventory and the Procurement and Inventory Management System to substantially reduce the cost of manual effort.

The contractor concurred in the audit recommendations and agreed to take the necessary corrective action. The report was furnished to Center management to provide them an opportunity to follow-up with the contractor to ensure that corrective action is taken on a timely basis.

c. Update of Estimating System Survey. Although this review disclosed that the contractor's system is generally adequate, some conditions were found which require corrective action. These conditions include: a lack of supporting data or acceptable rationale for "miscellaneous-unknown" material adjustment factor; improper application of a "composite material adjustment factor" (CMAF) resulting in a compounding effect of the individual rates; application of "CMAF" to Interdivisional Operating Directives and subcontract estimates resulting in unreasonable cost adjustments to proposed material costs; the inclusion of a factor for overtime in forward pricing labor rates which is considered an improper estimating technique and effectively circumvents the NASA Procurement Policy related to the control of overtime (NPR 12.102-2); and lack of submission of current, accurate and complete cost and pricing data required under PL 87-653--related to proposals for changes. Audit recommendations have been submitted to the contractor and NASA Center management for follow-up to ensure corrective action.

d. Review of Micrographics Operations and Related Activities. The audit disclosed that an opportunity exists to realize increased efficiency in operations and achieve an annual cost avoidance of about \$557,000 as follows: (1) About \$200,800 could be saved by increasing the utilization of computer output microfilm technology in printing computer reports. Reports printed on paper cost about \$.054 for the original page and two copies whereas microfiche averages about \$.007 for the original and two duplicate frames. The auditor estimated that 335 paper reports could be converted to microfiche; (2) approximately \$130,300 could be saved by

converting reproduced computer paper reports to microfilm. Paper reports cost about \$.012 to \$.0184 per page to reproduce whereas microfiche averages about \$.00044 per frame/page; (3) increased automation and utilization of graphics software program for the preparation of program management charts and graphs could result in savings of \$226,100. Currently, about 1,150 management charts and graphs are prepared manually of which 40% are prepared and/or updated from computer generated data.

Audit recommendations have been submitted to the contractor and NASA Center management for follow-up to ensure corrective action.

### 3. WESTERN REGION

a. Source Evaluation Board Activities. An examination of selected Source Evaluation Board (SEB) activities revealed an action that severely limited competition for a \$15 million procurement. In response to a concern over possible conflicts of interest, an SEB issued a restrictive Request for Proposal (RFP) that, in effect, limited competition for a proposed support services contract. Justification for and management approval of the RFP were not apparent in either the SEB records or in the contract file.

We recommended that RFP's, and amendments thereto, which restrict the number of potential offerors be carefully reviewed and approved by cognizant senior management, and evidence of this review be included in the procurement file. Also, consideration should be given to the use of the contract clause, "Limitation on Future Contracting," in RFP's and contracts where the potential exists for the NASA contractor's access to other companies' proprietary data. Management is taking responsive actions to avoid this situation in the future.

b. Report on Energy Conservation. The contractor's energy costs for 1979 was \$2.6 million of which \$2.3 million, or 88%, was for electricity. Energy costs estimated for 1980 are \$3.9 million.

Although the contractor's energy conservation measures taken over the past few years have been effective in reducing energy consumption costs, the review disclosed that an opportunity exists to realize increased economy and efficiency and achieve an annual cost avoidance of about \$174,200.

The auditor recommended that the contractor: proceed with its earlier plans to install a lighting control system in the building where it is needed; begin a program to replace existing fluorescent and incandescent lamps with new energy saving fluorescent lamps and high intensity lamps and reflectors, where applicable; and modify certain buildings to use outside air for cooling purposes.

The contractor agreed with the recommendations and has initiated the necessary corrective action. The report has been furnished to Center management to afford them the opportunity to follow-up to ensure that corrective action is taken.

c. Report on Computer Aided Design (CAD) Activities. The review disclosed that increased use of CAD Systems in accomplishing design and engineering tasks will significantly reduce engineering costs. Based on expected improved efficiency, workload and capital cost data provided by the contractor, the auditor estimated that annual savings would be about \$5.7 million after all required equipment has been acquired and put into use.

The contractor agreed with the audit recommendations and has initiated corrective action including action to acquire the first two CAD systems. The report has been furnished to Center management for follow-up to ensure responsive action to the audit recommendations.

d. Report on Word Processing. The contractor owns 43 word processing systems costing \$452,000 and is leasing an additional 39 systems at \$330,000 annually. Although the contractor is currently making use of word processing with beneficial results, the audit disclosed that an opportunity exists to realize increased economy and efficiency and achieve an annual cost avoidance of about \$4.2 million by: (1) centralization of the management and control of Word Processing resources; (2) increasing the use of existing equipment; (3) expanding the existing capability by purchasing additional equipment and; (4) integrating the systems with Optical Character Readers.

This matter was submitted to NASA management for follow-up with the contractor. The contractor has agreed with the basic audit recommendations and has initiated corrective action.

D. Resolution of Audit Findings Which Were Alleged to Have Been Suppressed.

As outlined in the October 31, 1979, semiannual report, audit findings for five reports were withheld pending a determination of conformance with GAO auditing standards and assessment of the allegation of audit suppression. The results of this dispute are provided in the organization and management section (Chapter I, paragraph E) of this report. Audit resolution efforts have progressed to a point that permits identification of significant findings and their disposition.

1. Audit of Lunar and Planetary Sciences Division (Report SW 6-79, August 31, 1979). The assessment of this report and follow-up on actions taken by Johnson Space Center (JSC) were completed in March 1980. A final resolution statement has been sent to the Administrator with the notification that all reported items have been resolved and necessary corrective actions initiated.

The principal significant finding at issue in this report was the contention that substantial quantities of lunar materials were unaccounted for or missing. The assessment of the audit concluded that the report and related supporting documentation did not demonstrate that substantial quantities were currently unaccounted for or missing. Although there was no convincing evidence of a significant problem JSC has initiated certain actions to ensure that the lunar material control and accountability system is effective and to identify any desirable improvements or additional controls needed. These actions include contracting with a public accounting firm to review the existing system.

2. Audit of JSC Metrology Program (SW 3-78, June 6, 1978). The assessment of unresolved issues in this report was completed in March 1980. A final resolution statement has been sent to the Administrator with the notification that all issues have been resolved.

The principal findings at issue in this report were concerned with the effectiveness of the JSC calibration policy and procedures and with certain property controls over metrology equipment. The assessment showed that some aspects of the disputed report findings were not fully supportable by the audit documentation. Also, audit follow-up showed that JSC has taken actions to correct other problems which were reported.

3. Audit of White Sands Test Facility (W-SR 10-80, March 25, 1980). A draft report on this audit was reviewed and assessed to resolve disputed findings. Based upon the assessment a revised report was issued, making the recommendations consistent with the supporting audit documentation. It contained several recommendations for improvements in various financial, property administration and other management operations. JSC concurred with all recommendations and is taking responsive actions.

The original draft report included one disputed issue regarding the propriety of using Research and Development funds for certain expenditures. Our reassessment of the question showed no impropriety. However, we suggested that the Administrator report the circumstances of the funding decisions to the authorization/appropriation committees to assure that there is no conflict with the intent of the committees. The NASA Comptroller has discussed the matter with the committees.

4. Audit of Public Exhibits Program (W-SR 12-80, March 25, 1980). A draft report on this audit was reviewed and assessed to resolve disputed findings. Based upon the assessment a revised report was issued, making the recommendations consistent with the supporting audit documentation. The report contained a few recommendations for improvement in the management and control of the exhibits program. JSC concurred with the recommendations and is taking responsive actions.

The original draft report included one disputed issue regarding the propriety of using Research and Development funds for certain expenditures. Our reassessment showed no impropriety. This issue was similar to the one discussed in the White Sands audit in paragraph D.3 above and was brought to the Administrator's attention at the same time. It also has been discussed by the NASA Comptroller with the authorization/appropriation committees.

5. Travel Complaint. An assessment of the review of an anonymous complaint regarding abuse of NASA travel policy and procedures was completed March 31, 1980. It was concluded that the allegation was unsupported and the case has been closed.

CHAPTER III  
INVESTIGATIONS ACTIVITIES

A. Introduction - Investigative activities handled by the NASA Office of Inspector General (OIG) include allegations of possible Federal criminal violations such as the submission of false claims, making false statements, theft and destruction of Government property, bribery, and conflict of interest, including post-employment situations.

Investigations are also conducted in other non-criminal matters which may lead to the recognition and correction of situations involving waste, abuse, or mismanagement. Non-criminal investigations include the failure to adhere to Federal procurement laws, rules and regulations; prohibited personnel practices; waiver of claim for overpayment of pay; and tort claim matters.

In addition to the reactive type of investigations cited above, the OIG (Investigations) also participates in positive programs to ferret out potential fraud, waste, and abuse. Targeted areas are generally developed by reviewing General Accounting Office (GAO) reports on other agencies. When situations are detected which may apply to NASA's operations, instructions are issued to Regional Directors to institute a review for similar problems. Three special reviews currently being conducted involve the contracting methods used for facility maintenance, reasons for lack of competition on certain contracts, and procedures used in recovering, recycling, and storing precious metals.

During the six-month period ending March 31, 1980, the OIG opened 118 investigative inquiries, both criminal and administrative. During the same period, 102 matters were closed leaving a pending caseload of 173 broken down as follows:

Currently under active NASA OIG investigation.....	124
Currently under active FBI investigation.....	19
Currently under active investigation by other agencies.....	2
Currently in prosecution or Grand Jury stage.....	4
Pending audit action.....	9
Pending advice of administrative or management action taken.....	11
Investigation completed, pending report preparation.....	4

During the reporting period, the NASA OIG referred 13 cases to other investigative agencies including the Federal Bureau of Investigation (FBI), the Post Office Department, and the U.S. Air Force Office of Special Investigations. The U.S. Attorney declined to prosecute on 10 matters presented. The most common reasons given for the declinations were that the offense was not serious enough (technical violation) or that the administrative actions either taken or available are sufficient remedies. There were two convictions reported on matters handled before local and Federal courts. One indictment was returned and a trial date was set. Four other matters are awaiting Federal Grand Jury action. Investigations resulted in a recovery of Government-owned equipment valued at \$70,800 and disallowance of contractor billings or recoveries of over \$67,000. Personnel actions were taken against five employees for misconduct.

B. Status of Investigative Matters Previously Reported.

1. EASTERN REGION

a. BRIBERY/FRAUD AGAINST THE GOVERNMENT - A NASA official was alleged to have allowed excessive labor hour charges in the negotiation of a new janitorial contract and to have received kickbacks from the subject contractor and other contractors in exchange for his actions. DCAA audit disclosed no evidence of defective pricing in the contract. OIG investigation conducted to date determined that the actions taken by the NASA center procurement division were appropriate and that no excessive prices had been negotiated into it. Investigation also determined that the NASA official had consulted agency counsel as required with regard to a possible conflict of interest situation, had been relieved from monitoring the contract, and reassigned to other duties. In regard to the kickback allegation, the NASA official was able to produce his cancelled check as payment for the vehicle. OIG investigation of possible excessive labor hour charges on the contract is continuing.

2. SOUTHERN REGION

a. FRAUD AGAINST THE GOVERNMENT - A construction contractor with five contracts totaling more than \$20 million, with modifications and claims in litigation, was alleged to have prepared and submitted false job certifications to NASA in 1976 and 1977. This involved the qualifications of three employees on structural work. Subsequent NASA OIG and FBI investigation disclosed possible false claims, false statements, kickbacks, and Davis-Bacon Act labor law violations. NASA declared the contractor "not responsible" when it bid on a subsequent procurement. This action was upheld by GAO upon protest.

Intensive investigation is continuing by the FBI, Department of Justice, Defense Contract Audit Agency, and NASA OIG with over 300 witnesses interviewed. The Grand Jury has examined voluminous records and heard testimony from a number of witnesses and is scheduled to complete its work in May.

b. FRAUD AGAINST THE GOVERNMENT -

Allegations were received indicating that a contractor had defrauded the Government by mischarging payroll and that "pay-offs" had been made to NASA personnel. NASA OIG and DCAA audit action has verified the mischarging allegations. Possible violations of the Service Contract Act were uncovered and were investigated by the Department of Labor. The contractor was found to be in violation of the wage and hour law and also in violation of the NASA contract by using trainee personnel instead of experienced employees. Investigation is continuing.

c. ALLEGED SALES OF CONTROLLED DRUGS -

Information was received alleging the sale of valium and other drugs from the health facility at a NASA center. A comparison of the drug control inventory records maintained by the Director, Occupational Medicine, NASA Headquarters, with the inventory records at the center showed the center records as having a substantially lower quantity of certain drugs. A physical inventory at the center showed the amounts on hand to be in agreement with the quantities shown in the center records. The OIG performed a complete audit of the health facility's drug control procedures and determined the variances in the records were caused by the use of incomplete and erroneous data. OIG's analysis of the center's procedures for handling narcotics and other drugs disclosed that they are being handled in accordance with the Controlled Substances Act of 1970. Center management was advised to clarify existing instructions to ensure that drugs issued, destroyed or returned are accurately recorded. This matter is closed.

d. FALSE CERTIFICATIONS - OIG was advised that a subcontractor to a NASA construction contractor had falsely certified two of its personnel as to their competence in various nondestructive testing techniques. This matter is under investigation by the FBI, which is discussing prosecutive merits with the appropriate Assistant U.S. Attorney (AUSA). OIG recommendations to management for administrative action are pending the result of a decision by the AUSA.

3. WESTERN REGION

a. FRAUD AGAINST THE GOVERNMENT -

Investigation was conducted into numerous questionable costs that were charged by a contractor to a NASA contract. The charges included lease of a new luxury automobile for the firm's President, a new luxury automobile for personal use of the President's wife, and charges for "moving expense" of an employee. Audit assistance from the DCAA revealed that the allegations of improper/illegal costing by the contractor were substantially correct. DCAA disallowed approximately \$22,000 of claimed expenses and an additional \$5,200 charged to the contract for the wife's personal use vehicle was recovered.

The case was referred to the FBI which conducted investigation but the Assistant U.S. Attorneys for Los Angeles and San Francisco declined prosecution inasmuch as the illegal or questionable expenses were disallowed.

The contractor's contract at one NASA center has been cancelled but the contractor continues under an 8(a) contract at another NASA center. We have closed our file on this matter.

b. FRAUD AGAINST THE GOVERNMENT -

A salvage contractor failed to reimburse NASA for scrap removed from a NASA center. NASA investigation (surveillance) revealed that the contractor removed over 30 truckloads of scrap metal but provided payment for only 4 loads, amounting to an estimated loss to the Government of over \$9,000. The FBI conducted investigation and the case was presented to a Federal Grand Jury on March 5, 1980. An indictment was returned charging the salvage contractor with violation of two counts of 18 U.S.C. 641, Conversion of Government Property. The contractor pled not guilty to both counts before a U.S. Magistrate on March 20, 1980. Trial has been set for May 5, 1980.

c. FRAUD AGAINST THE GOVERNMENT -

Allegations were received in June 1979 from an employee of a major contractor that certain managers directed the mischarging of employees' time from a fixed-price, incentive Air Force contract to a NASA cost plus contract. Investigation by NASA OIG and interim audit results tend to

support the allegations and preliminary findings indicated that approximately \$120,000 was improperly charged to the NASA contract. Discussions have been held with the FBI and the U.S. Attorney. Investigation initiated by the FBI in February is continuing with assistance and support from DCAA and the NASA OIG.

d. PAYROLL MISCHARGE RE PERSONNEL OFFICER - Allegations were received in June 1979 that a contractor's Personnel Officer had left the contractor under "strained conditions" but has since been carried on the payroll at full pay and benefits with costs being charged to a NASA contract. DCAA was able to verify this allegation. The Personnel Officer was removed but retained full pay and benefits for more than a year. The costs, amounting to \$59,625, have been disallowed. The matter was presented to the U.S. Attorney. Prosecution was denied for lack of prosecutive merit. We have closed our file on the case.

e. TRAVEL CHARGES - OIG received information that a contractor employee, while on temporary duty, received a travel authorization that included round-trip air fare for his companion and two pets. NASA OIG substantiated these allegations and found the contractor had authorized travel benefits well in excess of usual travel allowances for employees. These costs were charged to a NASA contract overhead account. DCAA initiated a special audit of all of the contractor's travel and relocation expenses which is expected to be completed by May. The case has been discussed with the FBI and the U.S. Attorney who is considering the matter from both the criminal and civil viewpoints.

f. IMPROPER EXPENDITURES - During July 1979, the OIG received information that two contractor officials had traveled to Europe with the cost allegedly hidden in a subcontractor's billings for public relations services and charged to a NASA contract. DCAA audit findings substantiated the allegation that the travel to Europe did occur and the expenses were charged to the overhead account of a NASA contract. DCAA is currently auditing all of the contractor's travel expenses.

C. Significant Investigative Matters Opened during the Six-month Period Ending March 31, 1980.

1. EASTERN REGION

a. FRAUD AGAINST THE GOVERNMENT - Information was received from the FBI that a scrap company had purchased scrap paper from a NASA center and nearby military installations under contract during 1977 and 1978. The complainant alleges the company had defrauded the Government by submitting falsified tickets showing lesser weights than the actual amount of the scrap paper picked up. The OIG determined that the scrap company involved had picked up 32 loads from the NASA center during the two years in question. The dollar amount involved for NASA has not yet been determined but company records have been subpoenaed and the Assistant U.S. Attorney recently began proceedings before a Federal Grand Jury.

b. CONTRACT IRREGULARITIES - A NASA center has adopted simplified procurement procedures that permit the using activity to purchase supplies and services in amounts under \$5,000. Contracts in excess of \$5,000 are administered by the Acquisition Division with amounts over \$10,000 subject to formal advertising and evaluation procedures.

Allegations were received that procurement for supplies and services under the \$5,000 limit was being done in such a manner that certain companies were receiving favorable consideration. In exchange for this special treatment, NASA officials were receiving gifts and other benefits.

Investigation conducted to date failed to substantiate any unlawful or illegal acts on the part of NASA employees. An analysis of procurement activity was conducted during an extended period and it reflects certain companies being solicited at a higher rate than competitors. Investigation is continuing.

2. SOUTHERN REGION

a. ALLEGED MISCHARGING - Allegations were received by OIG that a contractor had charged a substantial amount of time to NASA contracts which was really expended for other customers. After initial investigation by OIG, the matter was referred to the FBI whose investigation to date has confirmed the allegations and has also resulted in a question of the quality of the contractor's work. The contractor initiated a review of the matter and confirmed

that limited mischarging had occurred. The contractor has reported that disciplinary action was taken against those employees involved and internal control procedures were strengthened. Investigation is continuing and the U.S. Attorney's office is following the matter from the viewpoint of possible prosecution under the False Claims Act.

b. PROCUREMENT IRREGULARITIES - The OIG received an allegation from the GAO that the award of a \$1.6 million (approximate) contract was irregular inasmuch as the selected contractor was the highest bidder and was considered by the Technical Evaluation Consulting Team to have the lowest technical rating. Allegedly, the NASA members of the Technical Evaluation Board disregarded the advice of the consulting team. The matter is currently being investigated.

c. WASTE AND MISMANAGEMENT - Allegations were received that excessive wage rates were being paid by a NASA center for services of contract employees, particularly the security guards. Investigation determined that the center in question has provided most of its base support services through contracts in accordance with established Federal Procurement Policy. The contract for security services, along with other support services, falls within the Service Contract Act. Accordingly, the wages paid are determined by the Bureau of Labor Statistics (BLS) within the Department of Labor.

For reasons not fully understood by NASA, BLS has used the Government "enclave" as the locality for the data base in making these wage determinations. The consequence of this policy is that the wages being paid by NASA are approximately 30% higher than those paid by local employers in the contiguous area of the center. A NASA survey conducted in 1978 of the printing industry showed that a cameraman was paid \$5.21 per hour on the local economy, while an individual doing the same job for NASA within the "enclave" was paid \$9.51, or 80% more, per hour.

Being fully aware of the substantial impact on the NASA budget and the cost of operation of the center, officials have repeatedly requested the Department of Labor review its policy and methodology in determining wage rates for this center. The most recent letter was sent to the Labor Secretary on March 17, 1980. The OIG is following this matter to determine if any assistance may be rendered.

d. THEFT OF LUNAR MATERIALS - During the last calendar year, a draft audit report was circulated, "Audit of Lunar and Planetary Sciences Division," SW-6-79 in which it was stated "substantial quantities (Lunar Materials) are unaccounted for or missing." (See Chapter I, paragraph D, E and Chapter II, paragraph D, for more information about this report.)

As a result of the statement, a review was made of all investigations involving missing lunar samples conducted by the Office of Inspector General and its predecessor, the Office of Inspections.

Since the return of the Apollo 11 spacecraft on July 24, 1969, 45 allegations relating to missing lunar samples, including rocks, particles and dust, were received. Investigations conducted to date have resulted in recovery or positive accounting of the samples in 22 instances. The other 23 investigations involved 37 samples which are known to be lost. The cumulative weight of the 37 samples is 29.7 grams (or slightly over 1 ounce), as compared to a total lunar material inventory of approximately 381,000 grams. The losses are primarily attributed to inadequate safeguards by the research scientists, carelessness on the part of laboratory technicians, and mail thefts and losses.

There is one ongoing investigation involving missing samples. This case should not affect the above figures since it is alleged that some rocks were removed on arrival at Houston during the transfer process from the rock boxes to the biological cabinetry lines. This was alleged to have taken place prior to the weighing and inventorying of the materials in the Lunar Receiving Laboratory.

### 3. WESTERN REGION

a. FRAUD AGAINST THE GOVERNMENT - The OIG received a copy of a DCAA Review of Accounting for Labor and Other Selected Costs for a NASA contractor which disclosed irregularities and unacceptable practices for recording and reporting costs on Government contracts from which overhead and other rates are derived. NASA Procurement records reflect that the contractor had many contracts totaling \$35,127,000. The contractor's practices resulted in overcharges in excess of \$10 million, a portion of which is borne by NASA. The Air Force OSI completed a fraud investigation and the matter has been referred to the U.S. Attorney's Office for a prosecutive decision.

b. BRIBERY/KICKBACKS - The OIG was advised that employees of a NASA contractor are under investigation by the FBI for receiving bribes and kickbacks from sub-contractors. The investigation to date disclosed that the contractor paid possibly as much as \$1 million in excessive costs for materials purchased from several subcontractors and that these costs had been passed on to the Government. It has not yet been determined what the dollar amount of the impact is to NASA. DCAA is assisting the FBI by performing investigative audit of subpoenaed material. The Assistant U.S. Attorney has advised that indictments are imminent.

c. ALLEGED PROCUREMENT IRREGULARITIES - A complaint was received alleging that a NASA center proposed to enter into a cost-plus-fixed-fee contract for the operation of a data facility at an estimated cost of \$1,850,000 over a 5-year period. The procurement was to be a non-competitive sole-source contract and the complainant questioned the justification of the sole-source procurement. OIG preliminary investigation disclosed a second non-competitive procurement with the same potential contractor to upgrade a computer to support increasing requirements in processing imagery from the U-2 aircraft at an estimated cost of \$101,080. The need for this second procurement was questioned inasmuch as the capability is available on another computer in the same building. The OIG submitted the information developed to center management for a suggested review of the procurement procedures. A report back to the OIG on the results of management's review is pending.

d. THEFT OF GOVERNMENT PROPERTY/MANAGEMENT STUDY - The FBI and the NASA OIG both have become concerned, based on FBI statistics on theft of Government property at a NASA contractor-operated facility, that the physical security program at the facility may not be adequate and that more effort in loss prevention may be required. In early March, a \$28,000 spectrum analyzer and related items were found missing from the facility. Investigation of that loss resulted in a confession from one of the facility's security guards that he had stolen the analyzer and many other pieces of Government property. A search of the guard's residence resulted in the recovery of Government property valued at approximately \$100,000 replacement cost. The FBI is investigating the matter further and presentation to a Federal Grand Jury is planned. In February 1980, three former contractor employees were identified with the 1979 theft of a word processor, a computer terminal, and a

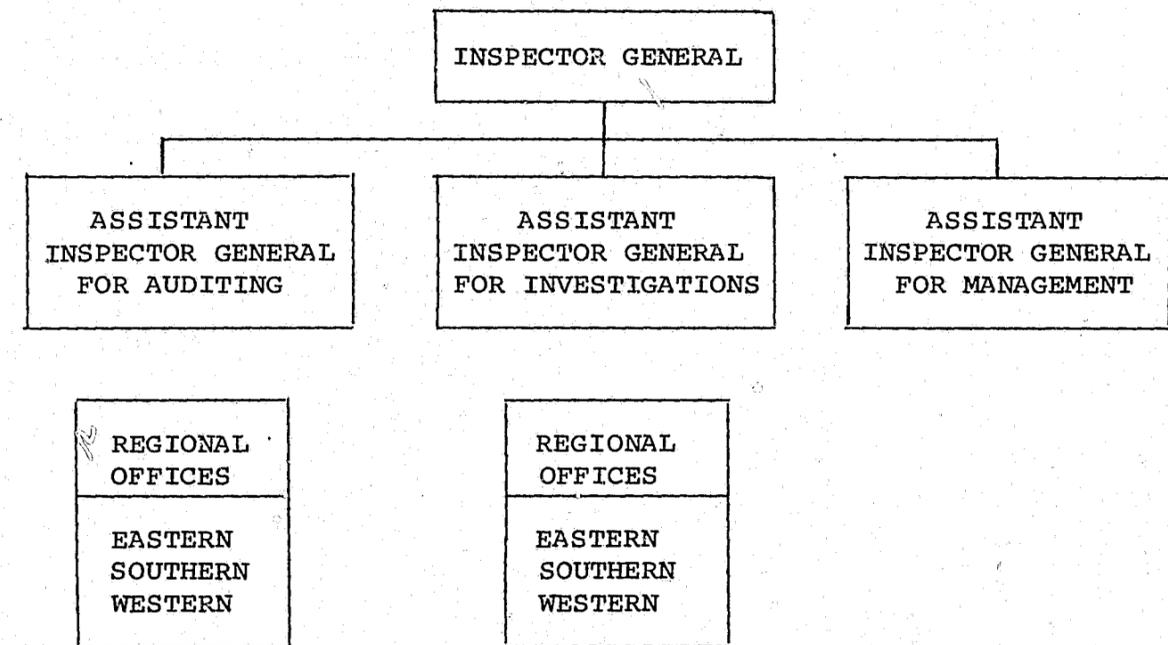
typewriter from the same facility. Their whereabouts are the subject of current investigation by the FBI. NASA management has concurred in an OIG suggestion that the OIG conduct a survey of the loss prevention program at this facility to identify discrepancies, weaknesses and corrective actions needed. This survey is planned for June or July 1980.

e. THEFT OF GOVERNMENT PROPERTY - A NASA contractor reported to the OIG the theft of 96 pounds of scrap golden polyimide foil at a potential value in excess of \$50,000. The scraps are generated in the process of manufacturing and fitting multiple layer insulation blankets for the Space Shuttle Thermal Control System. The scrap golden foil is accumulated until sufficient quantity has been assembled to hold a disposal sale. Ninety-six pounds of the material had been packed in a crate on January 11, 1980, which was not examined again until March 11, 1980, when the scrap material was discovered missing. The OIG is working in concert with the FBI on the matter.

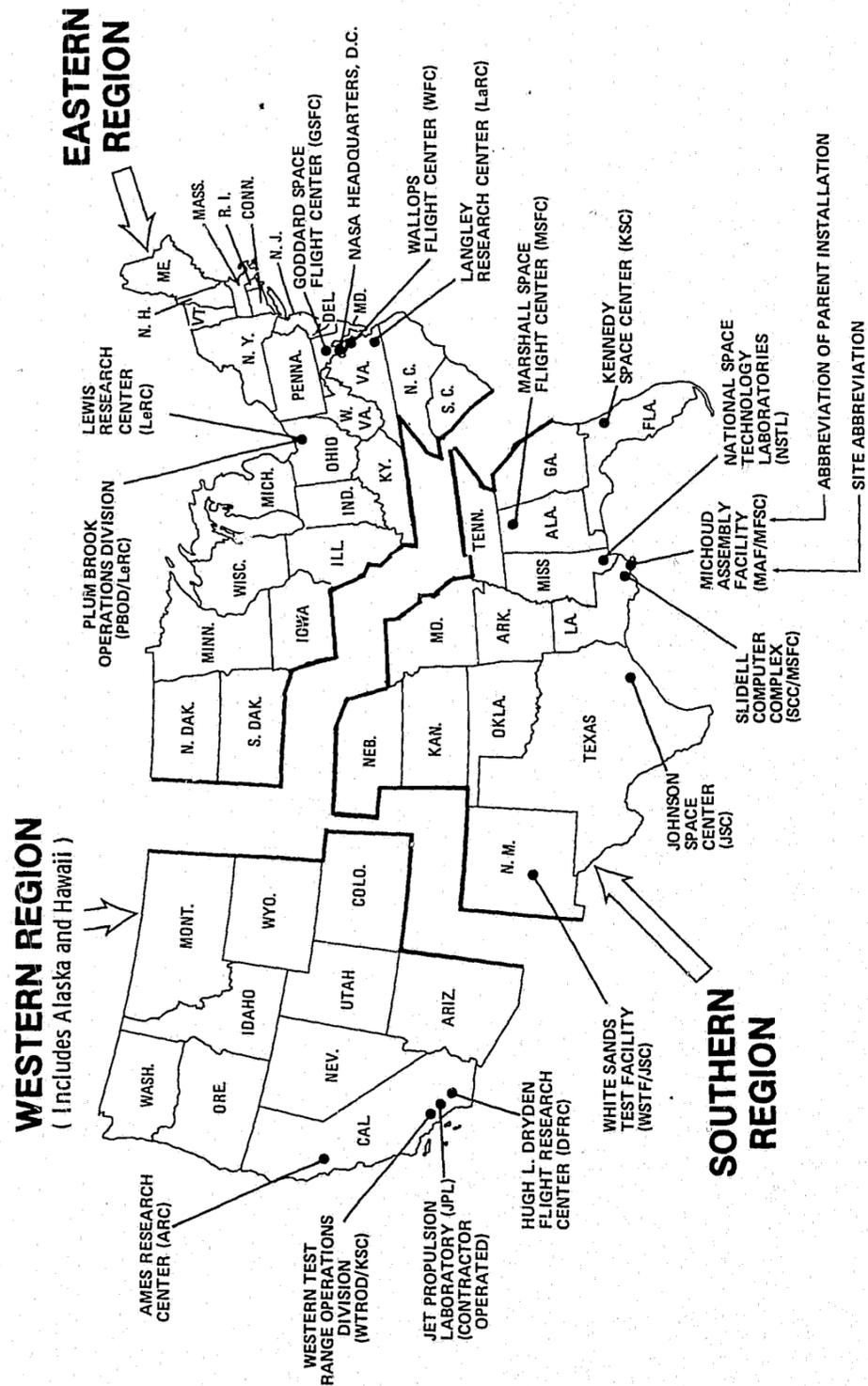
f. THEFT OF GOVERNMENT PROPERTY - The preceding matter brought to the OIG's attention the need for better controls of precious metals by NASA. As a result of further inquiry, it was determined that several supplier firms which manufacture the golden foil with gold provided by NASA are experiencing rates of unaccounted for gold at percentages which appear to be unacceptable. One sub-contractor reported a 20.4 % loss which equated to approximately \$147,000 and another subcontractor reported a 39.7 % loss which is equivalent to approximately \$266,000. The OIG has opened an inquiry into this matter.

APPENDIX I

A. OFFICE OF INSPECTOR GENERAL ORGANIZATION



APPENDIX I B.  
**OFFICE OF INSPECTOR GENERAL**  
**REGIONAL OFFICES**  
**AND**  
**NASA MAJOR AND COMPONENT INSTALLATIONS**



APPENDIX II

INTERNAL AUDIT AND CONTRACTOR AUDIT REPORTS

for the period

October 1, 1979 - March 31, 1980

EASTERN REGION

NASA Headquarters

- Indefinite Quantity Contracts (NE 14-79, October 12, 1979)
- Imprest Fund (NE 23-79, October 16, 1979)
- Selected Reimbursable Activities (ER 11-80, February 25, 1980)
- Allocation of Computer Costs to Technology Transfer Division (ER 1-80, March 17, 1980)

Goddard Space Flight Center

- Small Purchases (NE 17-79, October 29, 1979)

Langley Research Center

- Instrument and System Calibration (ER 3-80, November 28, 1979)
- Kentron International Contract Activities (ER 4-80, November 28, 1979)
- Small Purchases (ER 6-80, December 18, 1979)
- Special Purpose Computers (ER 7-80, February 8, 1980)
- Refuse-fired Steam Generating Facility (ER 12-80, March 17, 1980)

Lewis Research Center

- Commercial Payments (NE 18-79, October 11, 1979)
- Purchase Request Funding (ER 5-80, March 21, 1980)

SOUTHERN REGION

Johnson Space Center

Lunar and Planetary Sciences Division (Report SW 6-79,  
August 31, 1979)  
Disbursements and Collections (SW 8-79, October 12, 1979)  
Computer Science Corp. (SW 9-79, October 22, 1979)  
Small Purchases (W-SR 4-80, January 30, 1980)  
White Sands (W-SR 10-80, March 25, 1980)  
Public Exhibits (W-SR 12-80, March 25, 1980)  
Computer Aided Design Activities  
(DCAA 4701-8D-108-508-0118, October 1979)

Kennedy Space Center

Calibration Procedures and Practices (W-SR 6-80,  
February 13, 1980)  
Review of Physical Inventories and Adjustments Under  
Contract NAS10-9143 (DCAA 1231-9H486181, October 1979)  
Evaluation of the Contractor's Subcontract Administration  
Function (DCAA 1231-9B105009, October 1979)  
Evaluation of the Receiving, Inspection, Storage and Issue  
Operations Under Contract NAS10-9420  
(DCAA 1231-9B105008, October 1979)  
Review of Security Functions at KSC Under Contract NAS10-9370  
(DCAA 1231-9D179607, October 1979)  
Consolidated Direct Support Services  
(DCAA 1231-9B130010, October 1979)  
Review of Work Orders 0024, 0025, 2523, 2524 Under Contract  
NAS10-8525 (DCAA 1231-OF160043, November 1979)  
Review of Micrographic Operations  
(DCAA 1231-00105006, November 1979)  
Follow-up Review of Subcontract Administration Under Contract  
NAS10-9130 (DCAA 1231-OF160009, November 1979)

Follow-up Review of NASA Form 533 Financial Management Reports  
for Contract NAS 10-8525 (DCAA 1231-OF16008, Nov. 1979)

Review of NASA Form 533 Financial Management Reports for  
Contract NAS10-9100 (DCAA 1231-9C110003, November 1979)

Accounting System Survey Follow-up Contract NAS10-9130  
(DCAA 1231-OF160010, November 1979)

Review of NASA Form 533 FM Reports for Contracts  
NAS10-8580 - 9276 (DCAA 1231-OF160004, November 1979)

Review of Micrographics Operations and Related Activities (DCAA  
1231-00105007, March 1980)

Marshall Space Flight Center

Maintenance, Grounds and Landscaping Activities (SC 2-80,  
October 30, 1979)

Supply Management (Expendable Materials, Program and Standby  
Stock) (W-SR 1-80, February 28, 1980)

Computer Use Rate Determination - Slidell Computer Complex  
(W-SR 2-80, January 28, 1980)

Mechanized Material Reporting Systems  
(DCAA 7501-105010-001, December 1979)

Update of Estimating System Survey  
(DCAA 1221-9N240106-031, February 1980)

Solid Rocket Motor Propellant Development and Manufacture  
(DCAA 7231-9A2005, October 1979)

Accounting for Labor and Other Selected Costs  
(DCAA 7381-9C110203-001, December 1979)

Energy Conservation (DCAA 4681-OR105003, March 1980)

National Space Technology Laboratories

Imprest Fund (SC 19-79, September 30, 1979)

Acquisition and Utilization of ADP Equipment and Diversified  
Services (SC 16-79, September 10, 1979)

WESTERN REGION

Ames Research Center

Source Evaluation Board Activities (WR 1-80, October 19, 1979)

Reimbursable Orders and User Charges (WR 2-80, December 14, 1979)

Jet Propulsion Laboratory

Word Processing (DCAA 4121-9F105-050, October 1979)

APPENDIX III

AUDIT REPORTS WITH SIGNIFICANT MATTERS CARRIED FORWARD  
FROM PREVIOUS SEMIANNUAL REPORTS

A. CLOSED. Corrective action has been initiated by NASA management and progress has been sufficient to warrant removal of the following cases from the Semiannual Report:

Eastern Region

Logistics Operations (NE 2-79, March 30, 1979)

Word Processing Activities (NE 1-79, April 16, 1979)

Southern Region

Calibration of Systems and Equipment Including the Use of Controlled Standards and Measurements and the Recall and Identification of Participating Items (SC 7-79, January 5, 1979)

Word Processing Resources (SW 2-79, March 16, 1979)

Evaluation of Claim for Additional Funding for Pension Plans (February 1979)\*

Review of Word Processing Application (July 1979)\*

Western Region

Manpower Utilization (October 1978)

Subcontract Administration Operations and Financial Reporting (WR 79-117, February 1979)

Evaluation of Computer Aided Design/Computer Aided Manufacture and Micrographics (September 1979)\*

Cash Management Internal Controls (September 1979)\*

Direct Production Supervision Labor (April 1979)\*

Word Processing (September 1979)\*

\*Narrative discussion of the closing of these cases was not considered necessary in Chapter II of this Semiannual Report.

B. OPEN. Necessary corrective actions have not been completed in the following cases:

Eastern Region

Review of NASTRAN Activities (MA 7-79, May 9, 1979)

Southern Region

Reliability and Quality Assurance Activities  
(SW 6-78, July 24, 1978)

Western Region

General Administrative (G&A) Expenses Noncompliance with Cost Accounting Standard 410 (WR 79-1, November 1978)

APPENDIX IV

SIGNIFICANT INVESTIGATIVE MATTERS  
CARRIED FORWARD FROM PREVIOUS  
SEMI-ANNUAL REPORTS

This is a list showing the status of investigative matters included in the October 1979 Semi-annual Report:

1. Eastern Region

- a. Irregularities in firm-fixed price painting contract (12-2866). Status: Open; audit completed, investigation continuing.
- b. Janitorial contract - excessive labor charges allowed and kickbacks (12-2916). Status: Open; investigation continuing.

2. Southern Region

- a. Construction contractor charged with false qualification certifications, false claims, false statements, kickbacks, and labor law violations (12-2636). Status: Open; in Grand Jury process.
- b. Missing solar panels (12-2830). Status: No evidence developed; closed.
- c. Payroll mischarging and "pay-offs" to NASA personnel (12-2856). Status: Open; investigation continuing.
- d. Concrete and cement price fixing (12-2880). Status: Information furnished to Department of Justice and case closed.
- e. Sale of controlled drugs (12-2886). Status: Closed; audit resolved reported discrepancies.
- f. False nondestructive testing certifications (12-2912). Status: Open; pending FBI investigation and prosecutive decision.

3. Western Region

- a. Counterfeit semiconductors (12-2351; 12-2634). Status: Open; FBI investigation continuing.
- b. An 8(a) contractor involved in improper costing of personal items to NASA (12-2385). Status: Closed. Since closing this matter as previously reported, DCAA advised \$22,000 disallowed and \$5,200 recovered.
- c. Scrap metal salvage contractor's failure to reimburse NASA for scrap received (12-2543). Status: Open, indictment returned, pending trial.
- d. Labor mischarges from fixed-price Air Force contract to NASA cost plus contract (12-2876). Status: Open; FBI investigation pending.
- e. Pay and benefits of separated Personnel Officer charged to NASA contract (12-2891). Matter presented to U.S. Attorney who declined because of lack of prosecutive merit. Status: Closed.
- f. Excessive travel allowances charged to NASA contract (12-2904). Special audit of travel and relocation charges being conducted. Status: Open; pending prosecutive determination.
- g. Cost of European travel of two contractor officials charged to NASA (12-2905). The FBI has reviewed this matter and presented it to the U.S. Attorney for a prosecutive opinion. Status: Open.

**NASA**

National Aeronautics and  
Space Administration

Washington, D.C.  
20546

Office of the Administrator

**MAY 16 1980**

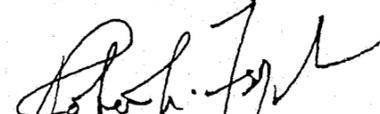
TO: W/Inspector General

FROM: A/Administrator

SUBJECT: Office of the Inspector General - Semiannual Report,  
October 1, 1979 - March 31, 1980 dated April 30, 1980

I have reviewed your semiannual report of the Office of the Inspector General submitted under Section 5(b) of P.L. 95-452.

Your continued success in strengthening the organization and staffing of the Office of the Inspector General at both the Headquarters and field levels is encouraging. I particularly note the implementation of several management systems to enhance the effectiveness of the entire organization nationwide. Coupled with these internal efforts, I am confident that we can continue to work together in assuring that NASA functions efficiently and effectively.



Robert A. Frbsch

Attachment

**END**