



Highlights of [GAO-07-58](#), a report to the Chairman, Committee on Science, House of Representatives

## Why GAO Did This Study

Cost-plus-award-fee contracts accounted for almost half of the National Aeronautic and Space Administration's (NASA) obligated contract dollars for fiscal years 2002-2004. Since 1990, we have identified NASA's contract management as a high-risk area—in part because of a lack of emphasis on end results. You asked us to examine (1) the extent NASA's guidance on award fees addresses problems previously identified with the use of award-fee contracts and (2) whether NASA follows its guidance in using award fees to achieve desired outcomes. We reviewed the top 10 dollar value award-fee contracts active from fiscal years 2002 through 2004.

## What GAO Recommends

We recommend NASA improve its current use of award fees by reemphasizing tying award-fee payments to desired outcomes, limiting the number of factors used in contractor evaluations as its guidance recommends, and by using this contract type only when justified by a consideration of costs and benefits. We also recommend that NASA develop metrics for measuring the effectiveness of award fees, establish a system for collecting data on the use of award-fee contracts, and regularly examine the effectiveness of award fees in achieving desired outcomes. In commenting on a draft of this report, NASA concurred with all three recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-58](http://www.gao.gov/cgi-bin/getrpt?GAO-07-58).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Ann M. Calvaresi-Barr, (202) 512-4841, [calvaresibarra@gao.gov](mailto:calvaresibarra@gao.gov).

## NASA PROCUREMENT

### Use of Award Fees for Achieving Program Outcomes Should Be Improved

#### What GAO Found

NASA guidance on the use of cost-plus-award-fee (CPAF) contracts provides criteria to improve the effectiveness of award fees. For example, the guidance emphasizes outcome factors that are good indicators of success in achieving desired results, cautions against using numerous evaluation factors, prohibits rollover of unearned fee, and encourages evaluating the costs and benefits of such contracts before using this contract type.

However, NASA does not always follow the preferred approach laid out in its guidance. For example, some evaluation criteria contained input or process factors, such as program planning and organizational management. Moreover, some contracts included numerous supporting subfactors that may dilute emphasis on any specific criteria. Although the Federal Acquisition Regulation and NASA guidance require considering the costs and benefits of choosing a CPAF contract, NASA did not perform such analyses.

In some cases there appears to be a significant disconnect between program results and fees paid. For example, NASA paid the contractor for the Earth Observing System Data and Information System Core System 97 percent of the available award fee despite a delay in the completion of the contract by over 2 years and an increase in the cost of the contract of more than 50 percent.

NASA officials expressed satisfaction with the results of the contracts we reviewed, and this was further evidenced by the extent of fee paid. NASA's satisfaction was based on its evaluations of contractor performance against criteria established in the award-fee plan. While NASA's evaluations would indicate generally good contractor performance, that performance did not always translate into desired program outcomes. That disconnect raises questions as to the extent NASA is achieving the effectiveness it sought through the establishment of guidance on the use of award fees. NASA has not evaluated the overall effectiveness of award fees and does not have metrics in place for conducting such evaluations.