U.S. DEPARTMENT OF COMMERCE
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NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Program for Acquiring Fisheries Research Vessels Needs Stronger Management Controls

Final Inspection Report No. STD-14428-2-0001/June 2002

PUBLIC RELEASE

Office of Audits, Science & Technology Audits Division

UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

28 JUN 2002

MEMORANDUM FOR: Vice Admiral Conrad C. Lautenbacher, Jr., USN (Ret.)
Under Secretary for Oceans and Atmosphere

FROM: Johnnie E. Frazier

SUBJECT: *Program for Acquiring Fisheries Research Vessels Needs Stronger Management Controls*
Final Audit Report No. STD-14428-2-0001

Attached is our final report on NOAA's FRV design and construction contract with Halter Marine, Inc. We believe that NOAA should strengthen a number of management controls for this acquisition program. For example, NOAA needs to maintain an official contract file, enforce the contract's scheduling requirements, improve procedures for tracking FRV program costs, enhance its plan for awarding contractor fees, fully document the FRV program's management structure, and develop a contingency plan for protecting the flow of scientific data in the event the vessels are delivered either late or not at all. The executive summary begins on page i, and recommendations appear on pages 4, 6, 8, 11, 13, 15, and 16. NOAA's response to our draft report is summarized in the report and its complete response is included as Appendix II.

As required by DAO 213-5, please provide us an audit action plan addressing the recommendations in the attached report within 60 days of this memorandum. The format for the plan can be found in Exhibit 7 of the DAO. Should you need to discuss the contents of this report or the audit action plan, please call me on (202) 482-4661, or contact Michael Sears, Assistant Inspector General for Auditing on (202) 482-1934 or Ronald Lieberman, Director, Science and Technology Audits Division, at (301) 713-2070.

We appreciate the cooperation and courtesies your staff extended to us during our review.

Attachment

cc: Sonya Stewart
Chief Financial Officer/Chief Administrative Officer

Mack A. Cato
Director, Audit, Internal Control, and Information Management Office

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EXECUTIVE SUMMARY

NOAA's National Marine Fisheries Service (NMFS) is charged with stewardship of the nation's living marine resources—a role it fulfills through science-based conservation and protection activities designed to manage and promote the health of the ocean environment. NMFS relies heavily on at-sea research and monitoring to perform these activities.

NOAA currently has nine dedicated fisheries research vessels (FRVs) to collect marine data. Eight of these were constructed during the 1950s and 1960s, and all are fast approaching the end of their service lives.

To upgrade its fleet, NOAA has given high priority to the FRV-40 acquisition program, which is intended to produce up to four acoustically quiet, state-of-the-art research vessels. These ships will be capable of staying at sea for up to 40 days and of performing a wide variety of scientific missions, such as developing and implementing advanced technologies for assessing fisheries stock, and conducting physical and biological oceanography studies, marine mammal research, and atmospheric and sea surface evaluations.

In September 1998, NOAA established an integrated project team to procure the vessels and manage the acquisition. Team representatives were initially drawn from NMFS, NOAA's Systems Acquisition Office (SAO), and the Office of NOAA Corps Operations (ONCO). The responsibilities for program and mission management were assigned to NMFS, while those for acquisition management were assigned to the SAO. Subsequently, the Office of Marine and Aviation Operations (OMAO) replaced ONCO as a subcomponent within the NOAA organization. In November 2001, NOAA transferred responsibility for acquisition and program management to OMAO.

Congress appropriated $59.7 million in no-year funds during fiscal years 2000 and 2001 for the design and construction of the first FRV and for program management. In fiscal year 2002, it appropriated $5.4 million in no-year funds for FRV replacement, but did not detail how the funds are to be used. According to a Department budget official, NOAA plans to use the fiscal year 2002 funds for program management and contract administration for subsequent vessels.

In January 2001, NOAA awarded a contract to design and construct the first FRV to Halter Marine, Inc. However, NOAA did not allow Halter to begin contract work until the end of March 2001 because the firm had difficulty meeting the bonding requirement. The fixed price plus award fee contract includes options to design and construct up to three additional vessels. If all four ships are constructed, the program could extend into 2008, with costs exceeding $200 million.

In April 2001, Halter's parent company and its affiliates filed for reorganization protection under chapter 11 of the U.S. bankruptcy code. An integrated project team official reported that Halter is currently engaged in serious discussions with potential buyers. We were told that these discussions are focused on keeping Halter intact as a productive shipbuilder. If and when Halter reaches a preliminary agreement with a buyer, it will file a request for a court hearing on the proposed sale. As one of Halter's assets, the FRV contract is part of the sale, but it cannot be transferred to a buyer without NOAA's consent. If the court approves the terms of the sale, the

sale will proceed and Halter will emerge from chapter 11 reorganization. If the court does not approve the sale, Halter's emergence from chapter 11 would be delayed as it pursues other options, such as renegotiating the sale terms or seeking other buyers.

Halter has continued the contract work despite the chapter 11 filing. According to an integrated project team official, the company has not yet completed a functional design for the vessel, but has designed the major elements that are needed to issue primary subcontracts and order materials. The official also said that the design work is mature enough to allow construction to start in March 2002, about 3 months behind the original schedule. That schedule calls for the first FRV to be delivered in January 2004.

This audit sought to (1) determine whether construction of the first vessel was meeting the program's performance goals for cost and timeliness; (2) evaluate corrective action NOAA has taken or will take for any deviations from its goals; and (3) assess the effectiveness of NOAA's management controls over the acquisition program. Unfortunately, weaknesses in those controls prevented us from ascertaining whether construction of the first vessel was meeting goals for cost and timeliness. We did not assess the reliability of computer-generated data because such data was not used to conduct our review.

Our findings and recommendations are summarized as follows:

NOAA should comply with Federal Acquisition Regulation requirements for contract files. The integrated project team has not established an official contract file that contains all essential documents relating to the FRV acquisition, as required by the Federal Acquisition Regulation (FAR). A NOAA official said the agency was aware of the need for an official file but did not have sufficient resources to establish and maintain it. Unfortunately, without this file, NOAA cannot effectively and efficiently document FRV procurement actions and decisions, leaving itself vulnerable to challenges from outside parties. NOAA should establish and maintain an official contract file for the FRV contract that includes documents required by the FAR (see page 4).

NOAA should enforce the contract's scheduling requirements. Our audit found that the contractor, Halter Marine, Inc., has not provided NOAA with updated schedules, as required by both the contract and the FAR, so that neither it nor NOAA can systematically and objectively track the progress and timeliness of contractor performance. A NOAA official stated that Halter had not been updating its database with the information needed to keep schedules current. Updated schedules were not available to us during our audit, so we could not independently verify whether acquisition of the first FRV was on track to meet the project's goals for timeliness.

NOAA must exercise its quality control responsibility, as required by the FAR, by enforcing the contract's scheduling requirements. If NOAA does not enforce these requirements, it exposes the program to potentially serious consequences that go beyond untimely vessel delivery (see page 5).

NOAA needs to strengthen its procedure for tracking FRV program costs. The agency should amend its procedure for periodic financial reporting to ensure that the

acquisition/program manager, who is responsible for executing the FRV program within established cost goals, receives the essential information needed to direct the program. The current report omits critical cost accounting and cost-goal information. Federal internal control standards require that such information be communicated to all those within the entity who need it, in a form and within a time frame that enables them to fulfill their program management responsibilities. The inadequacies in the FRV financial report prevented us from independently verifying NOAA's progress in meeting the program's cost goal, and rendered NOAA incapable of providing reasonable assurance that the goal will be met (see page 7).

NOAA should immediately implement a detailed award fee plan. Although FRV contract work has been under way since March 2001, NOAA has yet to implement an effective award fee plan to encourage superior performance by Halter. The current plan lacks definition; clear, results-oriented evaluation criteria; examples of significant events that constitute superior performance; and detailed guidance for evaluators. A NOAA official remarked that if and when the chapter 11 reorganization occurs, NOAA will develop a more detailed award fee plan based on performance concerns that exist then. The FAR and best practices followed in other NOAA contracts provide for detailed award fee plans that promote superior performance. Each day that passes without an acceptable plan in place compromises the contractor's ability to excel, based on agency expectations, and increases the risk that the contract's cost, schedule, and performance goals will not be achieved (see page 10).

NOAA should institute a clear, well-documented program management structure. The FAR, GAO internal control standards, and OMB guidance call for a clearly defined, documented management structure. However, the integrated project team's current organizational structure does not clearly delineate and document specific authorities, responsibilities, and accountabilities for team members, nor does it specify lines of communications and reporting relationships. According to the acquisition/program manager, he believes that NOAA has invested him with complete authority, responsibility, and accountability for the FRV program, but no document spells this out.

The lack of specificity compromises the team's efforts to administer the contract efficiently and effectively. It increases the possibility of missed project milestones, friction and poor communications among team members, and lost project continuity resulting from employee turnover. These problems, in turn, encourage costs that exceed established goals, schedule shortfalls, and unsatisfactory acquisitions (see page 12).

NOAA should conduct preaward surveys for future FRV contracts. Our review found that NOAA did not conduct a preaward survey of Halter Marine, Inc. to establish the company's financial ability to undertake the project. As it turned out, NOAA selected a contractor that filed for chapter 11 bankruptcy shortly after the contract was awarded. Because the bankruptcy has not been resolved, NOAA cannot provide assurance that FRV program goals will be achieved.

A preaward survey might have revealed more information about the contractor's financial instability. NOAA should provide assurance that critical FRV program goals will be achieved by conducting such surveys on any future FRV contract work (see page 14).

NOAA should prepare a written contingency plan for acquiring scientific data. GAO's internal control standards require that agencies have adequate plans for achieving program results and fulfilling missions. To meet these standards, NOAA needs a written contingency plan to ensure an uninterrupted flow of scientific data in the event of significant delays in or termination of construction of the fisheries research vessels. NOAA's strategy at present is to keep its current fleet operational until the new ships are delivered. NOAA should have a written plan that documents cost-effective alternatives for data collection and that ensures the continuous flow of that marine data in the event that construction of the new vessel is disrupted or ended (see page 16).

At the conclusion of our review, we discussed our findings with NOAA officials, who expressed general agreement with the intent of our recommendations. On pages 4, 6, 8, 11, 13, 15, and 16, we offer recommendations to the Under Secretary for Oceans and Atmosphere to address the concerns raised in this report.

In response to the draft report, NOAA agreed that management controls should be strengthened in the Fisheries Research Vessel acquisition program and has taken steps to implement many of the audit recommendations. Although NOAA agrees that a detailed award fee plan should be implemented, it believes it is prudent to delay such action until after the contractor's status under the bankruptcy is resolved. However, we continue to believe that NOAA officials should implement a detailed award fee plan now so that the contractor can strive for superior performance and NOAA can adequately justify future incentive fee payments.

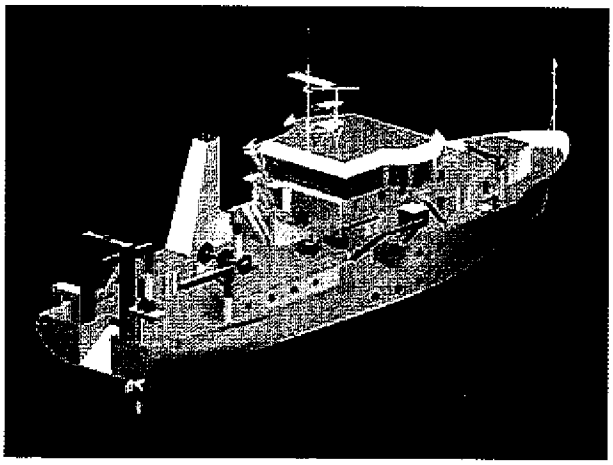
NOAA's response to the findings and our related comments are highlighted in the body of the report. Appendix II contains NOAA's complete reply to the findings.

INTRODUCTION

NOAA's National Marine Fisheries Service (NMFS) is charged with stewardship of the nation's living marine resources—a role it fulfills through science-based conservation and protection activities designed to manage and promote the health of the ocean environment. NMFS relies largely on at-sea research and monitoring to perform these activities.

NOAA currently has nine vessels dedicated to fisheries research. Eight of these were constructed during the 1950s and 1960s, and all are fast approaching the end of their service lives.

NOAA plans to upgrade its fleet by adding as many as four acoustically quiet, state-of-the-art fisheries research vessels (FRVs) via its high-priority FRV-40 program. These new vessels will be capable of staying at sea for up to 40 days and of performing a wide variety of scientific missions, such as developing and implementing advanced technologies for assessing fisheries stock, and conducting physical and biological oceanography studies, marine mammal research, atmospheric and sea surface evaluations.



In September 1998, NOAA established an integrated project team to procure the vessels and manage the acquisition. Team representatives were initially drawn from NMFS, NOAA's Systems Acquisition Office (SAO), and the Office of NOAA Corps Operations (ONCO). The responsibilities for program and mission management were assigned to NMFS, while those for acquisition management were assigned to the SAO. Subsequently, the Office of Marine and Aviation Operations (OMAO) replaced ONCO as a subcomponent within the NOAA organization. In November 2001, NOAA transferred responsibility for acquisition and program management to OMAO.

Congress appropriated $59.7 million in no-year funds during fiscal years 2000 and 2001 for the design and construction of the first FRV and for program management. In fiscal year 2002, it appropriated $5.4 million in no-year funds for FRV replacement, but did not detail how the funds are to be used. According to a Department budget official, NOAA plans to use the fiscal year 2002 funds for program management and contract administration for subsequent vessels.

In January 2001, NOAA awarded a contract to design and construct the first FRV to Halter Marine, Inc. However, the firm had difficulty meeting the contract's bonding requirement, so NOAA would not allow contract work to begin until the requirement was met, at the end of March 2001. The fixed price plus award fee contract includes options to design and construct up to three additional vessels. If all four are constructed, the program could extend into 2008, with costs exceeding $200 million.

In April 2001, Halter Marine's parent company, Friede Goldman Halter, Inc., and its affiliates, including Halter, filed for reorganization protection under chapter 11 of the U.S. bankruptcy code. According to an integrated project team official, Halter has been in serious discussions with potential buyers. Should the firm reach agreement with a buyer, it will seek a court hearing on the proposed sale.

As one of Halter's assets, the FRV contract is part of the sale, but it cannot be transferred to a buyer without NOAA's consent. If the court approves the terms of the sale, the sale will proceed and Halter will emerge from chapter 11 reorganization. If the court does not approve the sale, the company's emergence from chapter 11 would be delayed and other options pursued—for example, Halter may try to renegotiate the terms of the sale or seek other prospective buyers.

Halter has continued to perform the contract work, despite the chapter 11 filing. An integrated project team member reported that while the company has yet to complete the functional design of the vessel, it has developed the major elements that are needed to issue primary subcontracts and order materials. The team member also said that the design work is mature enough to allow construction to commence in March 2002, about 3 months behind the original schedule, which calls for delivery of the first FRV in January 2004.

OBJECTIVES, SCOPE, AND METHODOLOGY

This audit sought to (1) determine if construction of the first vessel was meeting established performance goals for cost and timeliness; (2) evaluate the corrective action NOAA has taken or will take for any deviations from its goals; and (3) assess the effectiveness of NOAA's management controls over the acquisition program. Unfortunately, weaknesses in those controls, as discussed in the report, kept us from ascertaining whether construction of the first vessel was meeting goals for cost and timeliness. We did not assess the reliability of computer-generated data because such data was not relevant to our review.

We reviewed the Halter contract and related NOAA management controls using the following methodology:

- **Review of federal guidance and legislation.** We examined relevant federal laws, regulations, and guidelines, including the Government Performance and Results Act of 1993; the Federal Acquisition Regulation (FAR); Office of Management and Budget (OMB) Circular A-11, Part 3, *Planning, Budgeting, and Acquisition of Capital Assets*, and its supplement, *Capital Programming Guide*; OMB Circular A-109 and NOAA Administrative Order (NAO) 208-3, *Major System Acquisitions*; and the General Accounting Office's *Standards for Internal Control in the Federal Government*.
- **Examination of relevant documents.** We studied NOAA's contract with Halter, related contract schedules and preaward information, and the NOAA Financial Management System's Obligation Status Reports.
- **Interviews.** We spoke with members of the integrated project team, staff in NOAA's Finance Office, and officials from the Department's Office of General Counsel and Office of Budget. We also interviewed officials from OMB and the Defense Contract Audit Agency.

We assessed whether the vessel procurement process was in compliance with the FAR, and evaluated the adequacy of NOAA's internal controls over the FRV program. We noted the following:

1. The FRV acquisition does not comply with FAR requirements for official contract files, quality control responsibilities, and award fee and acquisition plans.
2. NOAA needs to do a better job of assessing a potential contractor's financial condition prior to awarding contracts. It must also maintain a complete official contract file, better enforce the contract's scheduling requirements, improve procedures for tracking FRV program costs, provide a more detailed plan for contractor award fees, strengthen the FRV program's management structure, and develop a contingency plan for protecting the flow of scientific data in the event the vessels are delivered either late or not at all.

We conducted our fieldwork from August 2001 to February 2002 at NOAA headquarters in Silver Spring, Maryland. At the conclusion of our review, we discussed our findings and recommendations with NOAA officials, who expressed general agreement with the intent of our recommendations.

FINDINGS AND RECOMMENDATIONS

I. NOAA Should Comply with Federal Acquisition Regulation Requirements for Contract Files

NOAA should create and maintain an official file that contains all documents required by the Federal Acquisition Regulation (FAR) for its fisheries research vessel contract. The integrated project team has no such file that includes all essential documents relating to the FRV acquisition. A NOAA official said the agency was aware of the need for an official contract file but did not have sufficient resources to establish and maintain one. Unfortunately, without this file, NOAA cannot effectively and efficiently provide documentation to support FRV procurement actions and decisions.

A. NOAA has not established and maintained an official FRV contract file.

FAR Subpart 4.8 states, "The head of each office performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions." It also says that the documentation shall be sufficient to constitute a complete history of the transaction for the purpose of (1) providing a complete background as a basis for informed decisions in the acquisition process and (2) furnishing essential facts in the event of litigation or congressional inquiries. Also, FAR Subpart 4.8 identifies specific documents that should be included in the contract file.

NOAA has not fulfilled these requirements for the FRV contract. When we visited the contracting officer's office, we observed that contract documents were stacked in piles in what appeared to be an unorganized manner. These documents were left unsecured in various areas on the floor and on top of furniture in the contract officer's office and an adjacent unoccupied room. NOAA officials told us they were unable to prepare an official contract file because they had more pressing issues to deal with and they did not have the funds to hire a contract assistant to prepare and maintain the file.

Without this file, NOAA has no official repository of contract documents and thus jeopardizes its ability to track the history of the contract and to maintain management continuity as project team members leave for other assignments. In addition, an insufficient systematic process for contract administration hampers NOAA's ability to provide assurance that cost, schedule, and performance goals are being met. And should other companies or outside parties challenge the contract, NOAA would have difficulty producing a documented basis for its decisions.

B. Recommendation

The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials establish and maintain an official contract file that contains all documents identified in FAR Subpart 4.8 for NOAA's FRV contract with Halter Marine, Inc.

C. NOAA Response

NOAA concurs with the recommendation.

II. NOAA Should Enforce the Contract's Scheduling Requirements

The FAR makes agencies responsible for ensuring quality control in the acquisition process. NOAA must fulfill this responsibility by enforcing the FRV contract's scheduling requirements. The FRV contract stipulates that the contractor, Halter Marine, Inc., must provide NOAA with updated work schedules so that both parties can systematically and objectively track the progress and timeliness of the contractor's performance. However, our audit found that Halter has failed to provide these schedules. A NOAA official told us that Halter had not been updating its database with information needed to keep schedules current. Without current schedules, we could not independently verify whether the acquisition of the first FRV was on track to meet the project's goals for timeliness. If NOAA does not enforce the contract's scheduling requirements, NOAA increases the risk of late delivery of the vessel.

A. The contractor has not complied with the contract's scheduling requirements.

Sections 042 (f) and (i) of the vessel contract require that Halter prepare and maintain four schedules to keep the construction program orderly and systematic, identify progress against planned events, relay the construction plan to the government, and provide a basis for evaluating contractor performance. The four schedules—Design and Construction, Drawing, Material Ordering, and Major Events and Milestones—identify interim and final deliverables as well as other items stipulated in the contract. In addition, Section J of the contract requires the contractor to notify NOAA of schedule changes within 10 days after making a change.

When we reviewed these schedules, we noted that work on certain interim deliverables was not completed by the due dates. On the contractor's Design and Construction Schedule, we identified 27 of 536 listed deliverables, or 5%, as overdue (see Appendix). On some schedules, completion dates were not posted to the appropriate columns. On others, there was no place to record completion dates. Keeping track of completion dates is essential to monitoring the contractor's progress and evaluating its performance, as required by Section 042.

We discussed these matters with NOAA officials and were told that NOAA was using whatever schedules the contractor submitted. We question the value of these schedules, given that they did not reflect the 3-month delay in contract initiation that resulted from the contractor's difficulties obtaining performance and payment bonds. To ensure that schedules are kept current, NOAA officials informed us that its FRV program management office will require Halter to regularly update the schedules as work progresses and as the contractor's bankruptcy status is resolved. NOAA will also require that the format of the schedules be revised to include columns for posting target and actual dates on which tasks were started and finished.

NOAA officials recognize the importance of enforcing the contract's scheduling requirements, and one official emphasized two key points in particular: (1) The contract requires delivery of the vessel within a certain time frame, and the government makes decisions regarding the operation and maintenance of existing ships based on the expected delivery of the new vessel. Therefore, delivery schedules must be accurate. (2) The design and construction of the vessel is a public/private partnership that requires significant government involvement. The government must have a current schedule of contractor activities so that it can plan and execute its own support activities and integrate them with those of the contractor.

Federal regulations make both NOAA and Halter responsible for quality control of the contract. Under FAR Subpart 46.103, *Contracting office responsibilities*, NOAA's contracting office must identify instances of nonconformance and establish the significance of such instances in light of the acceptability of supplies or services that do not meet contract requirements. Under FAR Subpart 46.105, *Contractor responsibilities*, Halter must substantiate that supplies or services conform to quality requirements and must furnish such information to the government. This subpart further states that the contractor's control of quality may relate to, but is not limited to, procedures and processes designed to ensure that services meet performance requirements. Without these schedules, it will be difficult for NOAA and Halter to fulfill these responsibilities.

To ensure that all deliverables meet contract performance requirements, NOAA must enforce the contract's scheduling provisions, and hold the contracting officer accountable for ensuring that both NOAA and Halter adhere to their respective quality control responsibilities. In the absence of such actions, both NOAA and Halter run the risk of precipitating serious consequences that go beyond late vessel delivery, such as costs that exceed established goals and unjustified award fee payments.

B. Recommendations

The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials take the following actions to improve the timeliness of vessel delivery and strengthen management control over the FRV program:

1. Enforce contract provisions that require Halter to prepare and maintain schedules in a timely manner, so that progress against scheduled events can be measured and contractor performance evaluated.

2. Hold the contracting officer accountable for ensuring that both NOAA and Halter adhere to their respective quality control responsibilities, as required by the FAR.

C. NOAA Response

NOAA concurs with the recommendation.

III. NOAA Needs to Strengthen Its Procedure for Tracking FRV Program Costs

Federal internal control standards require that agencies (1) track and record program costs and (2) disseminate this data within a time frame and in a format that enables pertinent agency personnel to carry out their program-related responsibilities. The FRV report that is now produced does not adequately support these standards. It omits key information required to track full program costs versus cost goals, and thus does not sufficiently support the efforts of the acquisition/program manager to achieve these goals. NOAA should strengthen this reporting procedure so that it produces all information needed to direct the program. Until the report is revised to support federal standards, NOAA cannot rely on it to provide reasonable assurance that the FRV program will meet its cost goal, nor can we independently verify NOAA's progress toward meeting that goal.

A. Current procedure omits information essential to tracking program costs.

In December 2001, the integrated project team implemented a procedure for generating a monthly financial report that tracks the status of FRV program costs and disseminating this information to the acquisition/program manager—the staff member responsible for keeping the program within the established cost goal. The first report included official NOAA Financial Management System obligations and commitments for FY 2002, by line office and for the total program. The acquisition/program manager stated that prior to the availability of this report, he relied on his "gut feeling" and the FY 2002 spending plan to monitor program costs. The spending plan, however, did not contain information on actual costs.

The integrated project team's financial reporting procedure is an important first step in tracking and containing program costs. However, the report it generates is of limited value as a management tool because it lacks the following details:

1. FRV contract obligations and payments to Halter.
2. Cumulative NOAA Financial Management System obligations since inception of the program.
3. Salaries and fringe benefits for OMAO staff who contribute to the FRV program.
4. Fixed NOAA charges for overhead and executive administration.

In addition, the report does not include the team's spending goal for the vessel acquisition program—information that will facilitate the acquisition/program manager's assessment of his progress against that goal. Because of these omissions, OIG was unable to independently verify whether FRV program costs were being contained within the established goal.

We discussed the four omissions with an FRV program official. His responses regarding each omission are summarized below.

1. **FRV contract obligations and payments to the contractor.** OMAO has this information for the current fiscal year (2002) only, while the SAO maintains the data for prior years. NOAA plans to provide FY 2002 information in future reports. To enhance the report's effectiveness as a management tool, the integrated project team should obtain

FRV contractor information from the SAO for years prior to FY 2002 and include this data in future reports as well.

2. **Cumulative NOAA Financial Management System obligation reporting**. The acquisition/program manager should know the total aggregate obligations applied against the spending cap for the FRV program, and the integrated project team will provide this information in future reports.
3. **OMAO salaries and fringe benefits.** Labor has not been charged to the FRV program but will be in the future, and will therefore be included in subsequent tracking reports.
4. **Fixed NOAA charges.** These charges are generated in NOAA's Financial Management System and are based on labor costs charged to the program. When the integrated project team begins to input OMAO staff time, fixed charges will automatically be added to the cost of the program. The official we spoke with added that the integrated project team does not have access to indirect cost information for the SAO and NMFS, but that the team will attempt to acquire that information.

The GAO's *Standards for Internal Control in the Federal Government*[1] states that program managers need relevant, reliable, and timely financial data to determine whether a program is meeting the agency's strategic and annual performance plans and its accountability goals for effective and efficient use of resources. NAO 208-3, *Major System Acquisitions*, Section 7.06, addresses these standards. The NAO states that the system acquisition manager is responsible for (1) "establishing systems for acquisition control, risk management, and contractor performance measurement," and (2) "executing a designated system acquisition within established cost, schedule, and system performance baselines."

Monthly financial tracking reports that fully disclose FRV program costs and goals are a critical management tool that reduces the risk of costs exceeding goals and the need for supplemental appropriations. Also, such reports can indicate changes in the rate at which costs are being incurred, and this may be indicative of program slippage. Without these reports, neither the acquisition/program manager nor NOAA can provide reasonable assurance that the program will meet its cost goal. Given the possible cost and duration of the FRV program--potentially more than $200 million over an 8-year period--NOAA must implement an effective reporting system to ensure sound financial management and diffuse potential stakeholder challenges.

B. Recommendation

The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials strengthen the FRV program's periodic financial reporting procedure so that it produces reports that provide the acquisition/program manager with essential information needed to direct the program. At a minimum, these reports should include the following elements:

1. The FRV program cost goal.
2. Full NOAA Financial Management System costs since the inception of the FRV program.
3. FRV contract obligations and payments to the contractor.

[1] Reissued in November 1999.

C. NOAA Response

NOAA concurs with the recommendation.

IV. NOAA Should Immediately Implement a Detailed Award Fee Plan

Although work on the FRV contract has been under way since March 2001, NOAA has yet to implement an award fee plan that rewards superior performance from Halter. An award fee plan is a management tool used to guide government evaluators in effectively assessing a contractor's performance and determining the award fee amount to be paid. The current plan does not clearly define or give examples of what constitutes outstanding performance. It lacks clear, results-oriented evaluation criteria and detailed guidance for how evaluators should apply those criteria. A NOAA official told us that if and when the bankruptcy issue is resolved, NOAA will implement a better plan that reflects its performance concerns. The Federal Acquisition Regulation—as well as best practices that NOAA has followed on other contracts—provide for detailed award fee plans that motivate the contractor to perform in a superior manner. Without a detailed plan, the contractor does not know what NOAA considers to be superior performance, and will therefore not be able to make a concerted effort to perform in a superior manner.

A. NOAA has not implemented a detailed award fee plan to motivate the contractor.

NOAA's award fee plan for the vessel project is included in Section H-6 of the contract. The plan briefly mentions evaluation criteria, an evaluation board, the fee-determining official responsible for setting the amount of the award fee to be paid, and performance evaluation periods. It broadly describes the evaluation process and rating categories. However, we believe the current plan does not contain the detail needed to help the contractor strive for excellence. The evaluation criteria are vague, specifying, for example, that the contractor's effectiveness will be judged by "(1) . . . timely ship delivery, (2) management, and (3) design/engineering, noise/vibration, weight control/stability, production, and logistics." In addition, specific criteria for assigning ratings are lacking.

As noted earlier, NOAA reported that major elements of the contractor's functional design are complete and that vessel construction will begin in March 2002. However, in the absence of a detailed award fee plan, NOAA lacks adequate guidance for evaluating the contractor's actual performance, and Halter lacks guidance on how to meet NOAA's expectations for excellence.

To compare the degree of detail in the FRV contract with other NOAA incentive fee contracts, we examined four such documents from the Commerce Procurement Data System. Those four contracts were issued during fiscal years 2000 and 2001. We noted the following components in these plans:

- Detailed explanations and breakdowns of evaluation criteria, and guideline questions to help evaluators assess performance and to put the contractor on notice as to what constitutes superior performance.
- Descriptions of how the evaluation system operates, including definitions of key terms, examples of significant events that constitute superior performance, event documentation and checklists, and performance information coordination among evaluators and award fee officials.
- Methods for allowing the contractor to obtain performance information and do a self-assessment.
- A listing of the responsibilities of officials associated with the evaluation process.

These practices provide contractors with essential details they need to strive toward excellence and government evaluators with the criteria they need to adequately assess the quality of performance. We believe that NOAA should immediately institute these same best practices in its FRV contract.

As mentioned earlier, we discussed the lack of specificity in the FRV award fee plan with a NOAA official and were told that a stronger plan would be implemented once Halter's precarious business status is resolved. The official also informed us that NOAA plans to fund a $500,000 award fee for each vessel, or a total of $2 million if options for the remaining three vessels are exercised.

FAR Subpart 16.404, *Fixed-price contracts with award fees*, states that such contracts must provide for periodic evaluation of the contractor's performance against an award fee plan, and that award fees are permitted only for performance that exceeds satisfactory. We believe that NOAA should not wait for the resolution of the bankruptcy issue before implementing a detailed award fee plan. This plan is needed now to promote superior performance on the contract work, which proceeds despite the bankruptcy filing. The current plan cannot support and document a rational, systematic justification for payment of potentially $2 million in award fees. If a detailed plan has not been implemented by the time NOAA has to fund the contract's award fee provision, we believe these funds should be put to better use in other areas of the vessel construction project.

B. Recommendations

The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials immediately implement a detailed award fee plan, like those included in other NOAA contracts, that enables the contractor to strive for superior performance and adequately justifies incentive fee payments.

If a detailed plan is not implemented, any funds previously obligated for incentive payments should be redirected to other areas of the vessel construction program.

C. NOAA Response

NOAA concurs, in part, with the recommendation to implement a detailed award fee plan, but considers it prudent to delay such implementation until the contractor's bankruptcy status is resolved, and the contractor decides whether to assume or reject the contract under the applicable bankruptcy code. Pending this resolution, NOAA has begun developing a detailed award fee plan.

D. OIG Comments

We continue to believe that a detailed award fee plan is needed to enable the contractor to strive for superior performance and to allow NOAA to adequately justify future incentive fee payments. We are pleased that NOAA is currently developing the detailed plan. However, we believe this plan is needed now because contract work continues despite the bankruptcy filing, and no one knows when the contractor's bankruptcy status will be resolved.

V. NOAA Should Institute a Clear, Well-Documented Program Management Structure

The FAR, GAO internal control standards, and OMB guidance all call for a clearly defined, documented management structure. The current organizational structure of the integrated project team does not specify authorities, responsibilities, and accountabilities for each member, nor does it delineate reporting relationships and lines of communication. The acquisition/program manager assumes that NOAA has delegated complete authority, responsibility, and accountability for the FRV program to him, but no written document spells this out. The absence of a clear management framework increases the likelihood of poor communications among integrated project team members, exceeded authorities, missed project milestones, and the loss of management/project continuity during employee turnover. These problems, in turn, could ultimately result in unnecessary additional costs or poor FRV performance. To prevent such an outcome, NOAA should provide the integrated project team with a clearly defined and well-documented management structure.

A. The integrated project team lacks a clearly defined management structure.

FAR Subpart 7.105, *Contents of written acquisition plans*, states that all procurement plans must address the full range of technical, business, management, and other significant considerations that control an acquisition. GAO standards call for a positive internal control environment in which an agency's organizational structure clearly defines key areas of authority and responsibility and establishes appropriate lines of reporting. These standards also require that internal control and all significant events be clearly documented.

OMB Circular A-11's Supplement, *Capital Programming Guide*, states that the development of a formal capital asset management structure is a best practice used throughout industry and by many government agencies to establish clear lines of authority, responsibility, and accountability for the management of capital assets. It recommends that program managers receive a written charter, updated as necessary, that defines their responsibilities, budget constraints, parameters of authority, and accountability for accomplishing project objectives.

Management responsibilities for NOAA's vessel acquisition program have never been clearly defined. The integrated project team was established in September 1998 via a memo from NOAA's Deputy Under Secretary for Oceans and Atmosphere. The purpose of the integrated project team was to oversee the FRV acquisition program. The memo specified that integrated project team membership be drawn from NMFS, SAO, and ONCO, but provided only general details about the roles of each team member. In June 2000, the Department approved NOAA's acquisition plan for fisheries research vessels and required that the plan address all significant considerations that would control the acquisition. As discussed earlier in our report, OMAO subsequently replaced ONCO as a subcomponent within the NOAA organization. In a November 2001 memo, NOAA's Deputy Under Secretary for Oceans and Atmosphere transferred management of the vessel acquisition program to OMAO, keeping intact the integrated project team. However, none of these documents identified specific responsibilities and accountabilities for each integrated project team member, nor did they establish lines of authority and reporting relationships among them.

We asked the acquisition/program manager whether NOAA had established a clearly defined management structure for the integrated project team and were told that NOAA's only guidance on such a structure was contained in NAO 208-3, *Major System Acquisitions,* and the Deputy Under Secretary's September 1998 memo. The acquisition/program manager assumed that OMAO has complete responsibility, authority, and accountability for the FRV program, as it has for ship and aircraft operations.

We reviewed NAO 208-3. It generically defines the roles of integrated project team members assigned to a major system acquisition but not to the FRV program in particular. No formal FRV program organization chart exists; so at our request, the acquisition/program manager prepared one for us to use. However, the chart did not identify individual integrated project team positions, member names, reporting relationships, and lines of authority.

Several team members told us they believed that in November 2001 NOAA approved the new integrated project team management structure, wherein responsibility for both acquisition *and* program management was transferred to OMAO, for two reasons. First, the prior management structure, wherein responsibility for acquisition management was assigned to SAO and program management to NMFS, was not smoothly implementing the integrated project team's plans. Second, responsibilities and lines of communication were not well defined, which created friction among team members. The integrated project team members interviewed believe that the new structure will resolve these weaknesses because acquisition and program management is now centralized. OIG agrees that the new structure will improve program management if NOAA clearly defines each member's specific authorities, responsibilities, and accountabilities, and describes lines of authority and reporting relationships within the team.

B. Recommendation

The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials strengthen management control over the FRV program by implementing a well-documented program management structure that clearly defines authorities, responsibilities, accountabilities, and reporting relationships for all members of the integrated project team.

C. NOAA Response

NOAA concurs with the recommendation.

VI. NOAA Should Conduct Preaward Surveys for Future FRV Contracts

NOAA did not conduct a preaward survey of Halter Marine to establish the company's financial ability to undertake the project. A preaward survey is an evaluation, usually conducted by the cognizant contract administration office, of a prospective contractor's capability to perform on a proposed contract. As it turned out, NOAA selected a contractor that filed for chapter 11 bankruptcy shortly after the contract was awarded. Because the bankruptcy has not been resolved, NOAA cannot provide assurance that FRV program goals will be achieved.

NOAA officials contend that they adequately determined the financial condition of the contractor and, therefore, did not need to conduct a preaward survey. However, a preaward survey might have revealed more information about Halter's financial instability. NOAA should conduct preaward surveys on any future FRV contract work.

A. NOAA did not conduct a preaward survey to determine the financial stability of the contractor.

Halter's filing for chapter 11 bankruptcy shortly after the contract was awarded has increased the time and costs associated with managing the contract. Work on the contract was delayed by about 3 months as Halter struggled to meet the performance and payment-bonding requirement. NOAA managers subsequently had to expend additional time and effort dealing with problems caused by the company's bankruptcy. These problems may ultimately affect achievement of the contract's goals for cost, schedule, and performance, especially if Halter is unable to perform and the contract needs to be recompeted.

During the acquisition process, NOAA selected five finalists for the vessel contract. To assess the financial condition of these companies, NOAA's contracting officer requested a Dun and Bradstreet (D&B) Financial Profile Report[2] for each of them, but did not receive comparative information across the board. For example, specific financial information about one company was unavailable, so D&B provided an analysis of a typical company in the same line of business. However, such alternatives do not reveal the financial condition of the company in question, and NOAA should not have relied on this information.

NOAA received no D&B report on a second company. In this case, according to a NOAA official, the agency informally obtained labor rate information from the Defense Contract Audit Agency (DCAA). Because this information was not put in writing, we were unable to verify either the NOAA request or the DCAA response. Even so, labor rate information alone is not a sufficient basis upon which to determine the financial condition of a company.

In the case of Halter, the D&B report that NOAA received for Halter's parent company, Friede Goldman Halter, Inc., described a fair overall financial condition, but indicated an unfavorable liquidity position. Liquidity is a measure of a company's ability to convert its assets to cash to pay creditors. The D&B information raised a significant financial issue--unfavorable liquidity--that should have prompted further NOAA follow up.

[2] The Dun and Bradstreet Financial Profile provides a historical analysis of a company's financial condition compared with its industry peers, examining the company's payment performance over the past 12 months and providing basic operational information, as well as recent newsworthy events that could affect a business decision.

FAR Subpart 9.106-1 states, "A pre-award survey is normally required only when the information on hand or readily available to the contracting officer, including information from commercial sources, is not sufficient to make a determination regarding responsibility." FAR Subpart 9.105-1 states that the contracting officer shall possess or obtain information sufficient to be satisfied that a prospective contractor currently meets the applicable standards, such as having adequate financial resources to perform the contract. FAR Subpart 9.104-1(a) states, "To be determined responsible, a prospective contractor must have adequate financial resources to perform the contract, or the ability to obtain them."

NOAA officials stated that they believe they had sufficient information to adequately determine the financial condition of Halter. However, because of the importance that NOAA places on the FRV program and the risks associated with a potential eight-year investment of over $200 million, we believe that NOAA should have taken additional steps to assure itself that Halter had adequate financial resources. It is essential that NOAA take a proactive and diligent approach to selecting a suitable contractor on all future FRV procurements.

B. Recommendation

The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials conduct a preaward survey of potential contractors on any future FRV contract work.

C. NOAA Response

NOAA concurs with the recommendation.

VII. NOAA Should Prepare a Written Contingency Plan for Acquiring Scientific Data

GAO's *Standards for Internal Control in the Federal Government* requires agencies to continually assess and evaluate their internal controls to ensure accountability and proper stewardship of federal resources, and to adequately prepare for all contingencies that could affect their ability to successfully conduct programs and fulfill missions. The FRV construction project supports a key NOAA mission—that is, the cost-effective and uninterrupted collection of scientific information. However, NOAA has no written contingency plan for protecting against interruptions should the vessel construction project be significantly delayed or terminated. The agency's strategy for ensuring continuous data flow is simply to keep its current fleet operational until the new vessels are delivered, no matter how long delivery may take. The specifics of how NOAA will accomplish this strategy are not documented.

A. NOAA has no written contingency plan to ensure an uninterrupted flow of scientific data.

As the vessel construction program continues throughout this decade, the potential for problems increases. Delays in ship delivery are a likely occurrence at any time during the building phase: Contract work could be slowed by labor disputes, material shortages, or other events. Delays could also result if the current contract is terminated, necessitating recompetition, because of bankruptcy proceedings involving the contractor, failure to perform, or other legitimate cause. By the same token, the federal government's focus on increased national security could change congressional budget priorities and thus reduce or eliminate funding for the remaining FRVs.

Any of these scenarios could disrupt NOAA's ability to support the continuous flow of scientific data, unless the agency has a formal, current, and well-documented plan that anticipates such problems and details strategies for overcoming them. In developing its plan, NOAA must consider all the options for acquiring data should the procurement of new research ships be delayed or terminated, including conversion of suboptimal vessels as short-term replacements for aging ships in NOAA's fleet and contracting with a commercial data-gathering organization.

NOAA's current strategy of keeping old vessels running until new ones are delivered is not sufficient. The agency must have a well-developed, comprehensive, and written plan that provides detailed, time-sensitive responses to potential delays in or termination of FRV construction. Such a plan provides continuity to the program, and minimizes the risk of a serious disruption in the flow of much-needed scientific data.

B. Recommendation

The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials develop and document a written contingency plan that ensures NOAA's ability to provide an uninterrupted flow of scientific data in the event of significant delays in or termination of FRV construction.

C. NOAA Response

NOAA concurs with the recommendation.

APPENDIX I

Table of Overdue Interim Deliverables As Of August 15, 2001

Item #	Interim Deliverable	Scheduled Finish Date	% Complete
CD17	General Arrangements	6/5/01	80
CD29	Pilot House Visibility Check Rev 1	7/20/01	75
CD14	Foredeck Layout	8/7/01	50
CD24	Loading Conditions	6/1/01	50
CD40	Tank Capacities	7/27/01	75
CD63	Fire Zone Boundary	8/3/01	5
CS70	Shell Plate Layout (Shell Expansion)	6/22/01	95
CD71	Transformer Vendor Purchasing Tech Spec	8/15/01	0
CD73	Panelboard Vendor (PNLV) Purch Tech Spec	8/15/01	0
#86	Project Engineering	8/10/01	0
CD27	Noise Requirements Definition (Subcontract)	5/11/01	0
CD65	Deliverable Matrix	6/18/01	65
CD31	Resilient Mount Requirements (Subcontract)	6/1/01	0
CD67	Top Level Production Design Plan	6/6/01	0
CD49	ABS Purchasing Tech Spec	8/10/01	0
CD81	Functional Design Schedule	7/27/01	75
FC41	Purchase Technical Specifications	7/18/01	0
FW01	Initial Weight Estimate	7/27/01	75
FA14	Oceanographic Winch & Scientific Stores Roc	7/17/01	50
FW00	Weight Control Plan	7/24/01	75
FA12	Lines of Sight	7/27/01	50
FC01	Lines and Offsets Drawing	8/1/01	90
FC20	Table of Frame Offsets	8/15/01	0
FH67	Typical Structural Details	8/10/01	5
FC12	Trim and Stability Booklet	2/23/01	0
FX20	Firemain System Cales & Sketches	8/1/01	80
#531	Purchase Technical Specifications	1/30/01	0

[1] Source: Halter contract's Design and Construction Schedule ("Production Planning and Control")

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
CHIEF FINANCIAL OFFICER/CHIEF ADMINISTRATIVE OFFICER

MAY 10 2002

MEMORANDUM FOR: Michael Sears
Acting Assistant Inspector General for Auditing

FROM: Sonya G. Stewart

SUBJECT: Office of Inspector General Draft Report
Program for Acquiring Fisheries Research Vessels Needs Stronger Management Controls, Draft Audit Report No. STD-14428

The National Oceanic and Atmospheric Administration appreciates the opportunity to comment on the subject draft report. We agree that management controls should be strengthened in the Fisheries Research Vessel acquisition program and have taken steps to implement many of the audit recommendations. Although we agree that a detailed award fee plan should be implemented, we believe it is prudent to delay such action until after the contractor's status under the bankruptcy is resolved. Our response to your draft audit report is attached.

Attachment

NOAA's Response to the Office of Inspector General Draft Inspection Report
Program for Acquiring Fisheries Research Vessels Needs Stronger Management Controls
Draft Audit Report No. STD-14428

OIG Recommendation 1: The Under Secretary for Oceans and Atmosphere should ensure that NOAA Officials establish and maintain an official contract file that contains all documents identified in Federal Acquisition Regulation (FAR) Subpart 4.8 for NOAA's Fisheries Research Vessels (FRV) contract with Halter Marine, Inc.

NOAA's Response: NOAA concurs, and has assigned additional contracting office resources to the program for this purpose.

OIG Recommendation 2: The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials take the following actions to improve the timeliness of vessel delivery and strengthen management control over the FRV program:

1. Enforce contract provisions that require Halter to prepare and maintain schedules in a timely manner, so that progress against scheduled events can be measured and contractor performance evaluated.

2. Hold the contracting officer accountable for ensuring that both NOAA and Halter adhere to their respective quality control responsibilities, as required by the FAR.

NOAA's Response: NOAA concurs with this recommendation. The NOAA Office of Marine and Aviation Operations (OMAO)/FRV Program Office and the cognizant contracting office recognize the mutual obligation to enforce these and other contract provisions, and intend to do so. It is noted that when the Office of the Inspector General's review of this program started, the contractor's performance in this regard was deficient, and although this remains an area of concern the contractor has recently improved its responsiveness to this requirement.

OIG Recommendation 3: The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials strengthen the FRV Program's periodic financial reporting procedure so that it produces reports that provide the acquisition/program manager with essential information needed to direct the program. At a minimum, these reports should include the following elements:

1. FRV program cost goal.

2. Full NOAA Financial Management System costs since the inception of the FRV program.

3. FRV contract obligations and payments to the contractor.

NOAA's Response: NOAA concurs with this recommendation and has already made considerable progress. A monthly financial report is now being prepared for the Program Manager that includes the FRV program cost goal, obligations to contractors including the Halter contract, federal government employee salaries and benefits, supplies, and travel charges as well as graphical representations of plan versus expended funds. The Program Manager also has a four ship budget plan which will be updated periodically to serve as the baseline budgeting document for the program.

OIG Recommendation 4: The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials immediately implement a detailed award fee plan, like those included in other NOAA contracts, that enables the contractor to strive for superior performance and adequately justifies incentive fee payments.

If a detailed plan is not implemented, any funds previously obligated for incentive payments should be redirected to other areas of the vessel construction program.

NOAA's Response: NOAA concurs, in part, with this recommendation. There is a general Award Fee plan contained in section H-6 of the contract. However, the clause is discretionary rather than mandatory in that it allows the Government sole discretion whether or not to provide funding for any award fee. To date, none of the $500K budgeted for award fee incentive on the first ship has been obligated under the contract. Further, the contractor has not yet assumed or rejected the contract under the applicable bankruptcy code, and is not required to do so until the expiration of the debtor's exclusivity period, which is controlled by the bankruptcy court. NOAA considers it prudent to delay implementation of the award fee provision until after the contractor's status under the bankruptcy is resolved. Pending such a resolution, the NOAA FRV Program Office and the Contracting Officer have begun discussions to develop a detailed award fee plan, which would identify the areas of contract requirements and performance that would be most appropriate for award fee procedures.

OIG Recommendations 5: The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials strengthen management control over the FRV program by implementing a well-documented program management structure that clearly defines authorities, responsibilities, accountabilities, and reporting relationships for all members of the integrated project team.

NOAA's Response: NOAA concurs with this recommendation. Responsibilities and accountabilities for major systems acquisitions are outlined in NOAA Administrative Order 208-3, Major Systems Acquisitions. This document provides general guidelines for program management, acquisition management, and mission management functions but leaves the details to be developed by the individuals assigned to these functions. Within NOAA, the FRV Program and Mission Management functions was first assigned to the National Marine Fisheries Service and the Acquisition Management function to the Systems Acquisition Office. During the time period covered by the Office of the Inspector General's review of this program, the System Acquisition Office was being eliminated. On November 7, 2001, NOAA leadership made the decision to appoint OMAO both Acquisition and Program Manager. NOAA agrees with the OIG assessment that this change will improve program management as long as lines of authority and reporting relationships are understood. In the short period between OMAO assuming responsibility for the program and the end of the OIG review, progress was made toward defining and communicating roles and responsibilities. Areas that were resolved include responsibilities for configuration management, logistics management, budget reporting and control, and single-point-of-contact for technical issues. Although progress has been made, additional work still needs to be done. The target date for completing this task is July 1, 2002.

NOAA's Response to the Office of Inspector General Draft Inspection Report
Program for Acquiring Fisheries Research Vessels Needs Stronger Management Controls
Draft Audit Report No. STD-14428

OIG Recommendation 6: The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials conduct a preaward survey of potential contractors on any future FRV contract work.

NOAA's Response: NOAA concurs with this recommendation. In the event it becomes necessary to re-issue the solicitation for FRV design and construction, NOAA concurs that it will give due consideration to requesting a pre-award survey if circumstances warrant.

OIG Recommendation 7: The Under Secretary for Oceans and Atmosphere should ensure that NOAA officials develop and document a written contingency plan that ensures NOAA's ability to provide an uninterrupted flow of scientific data in the event of significant delays in or termination of FRV construction.

NOAA's Response: NOAA concurs with this recommendation. NOAA Fisheries conducted a thorough evaluation of options for acquisition of at-sea data to meet its stewardship mission, which was approved by OMB in 2000. Replacement of the existing ships with a core fleet of modern, quiet FRVs is central to the NOAA Fisheries Data Acquisition Plan. Collecting time-series data from short-term replacement vessels represents a break in continuity in the database unless adequate calibration is conducted. Even when calibrated, rotating a series of short-term vessels into and out of the fleet erodes the quality of the data by confounding long-term trend analysis. There are no available commercial or UNOLS platforms that can perform adequate fishery independent data acquisition. Therefore, we have no alternative to using current NOAA ships; our contingency plan can only be to rely on expensive mid-life repairs and improvements on them. For these reasons, maintaining the current fleet until the new FRVs are launched represents the optimal approach to ensuring that management decisions are based on the best science available. We concur that a strategy for maintaining the current fleet of fisheries ships in the event that launch of the new FRVs is delayed is prudent. NOAA Fisheries and OMAO will begin to develop cost estimates for service life extensions for the current vessels as a contingency plan in the event that launch of the new vessels is delayed.