



United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-275492

March 18, 1997

The Honorable Daniel S. Goldin
Administrator, National Aeronautics
and Space Administration

Subject: NASA Procurement: Contract Management Oversight

Dear Mr. Goldin:

We have completed our survey of the National Aeronautics and Space Administration's (NASA) approach to monitoring, measuring, and validating its progress in improving contract management. Our work focused primarily on the extent to which the agency's oversight processes ensure that contract management weaknesses are identified and promptly corrected. The oversight activities we surveyed included the procurement self-assessment process and procurement performance measurements. We are discontinuing further review of both of these oversight activities at this time because we believe more time is needed for NASA to implement its processes. Specifically, we note NASA's recent commitments to improve the procurement self-assessment process. Further, procurement performance measurements could potentially be impacted by NASA's proposed, agencywide financial management system, which is planned to be fully implemented by mid-1999.

During the survey, we formally asked about NASA's plans for improving procurement self-assessments performed by its field centers.¹ In its response, NASA acknowledged that the procurement self-assessment process could be improved and that some field centers could benefit from additional direction. NASA stated that it would issue additional guidance on self-assessments and that its procurement management survey teams would review the centers' processes for conducting self-assessments. If properly implemented, the planned changes described by NASA should help improve its field centers' procurement self-assessments.

¹NASA Procurement Assessments (GAO/NSIAD-97-80R, Feb. 4, 1997).

During the survey, we also reviewed four performance measurements used by NASA to assess its contract management improvement efforts and to oversee selected procurement activities agencywide. NASA selected these four in response to an Office of Management and Budget request for the identification of procurement performance measures that ultimately are to be used in implementing the Government Performance and Results Act.² The four measurements are (1) the extent of competition in NASA procurement, (2) the average time required to award NASA contracts, (3) the extent to which NASA has had contractors perform additional work before negotiating a price adjustment, and (4) progress towards implementing performance-based contracting agencywide. While the measurement of performance-based contracting is relatively new, NASA has used the first three measures for several years. Based on our previous contract management work, we also reviewed measurements related to NASA's efforts to close inactive contracts in a timely manner. NASA officials told us when reviewing a draft of this letter that they still consider these performance measures tentative in regards to implementing the Government Performance and Results Act.

These performance measurements indicate that NASA has been making progress, but that further opportunities for improvement exist agencywide or at specific centers. For example, NASA has achieved significant reductions in the value of contract changes for which prices have not yet been negotiated, going from \$6.6 billion in December 1991 to under \$.5 billion in September 1996. However, its efforts to close inactive award instruments³ in a timely manner have had mixed results. The total value of unliquidated obligations on inactive award instruments decreased slightly agencywide over the past 4 fiscal years from just over \$700 million to just under \$700 million. As of September 30, 1996, over 46 percent of all inactive awards were overaged.⁴ Overaged inactive awards ranged from a low of 26 percent of all inactive awards at Dryden Flight Research Center to a high of 53 percent of all inactive awards at the Goddard Space Flight Center. Delays in incurred cost audits continue to impede the closing of inactive award instruments at the Goddard center.

²Measuring and using performance information within the scope and requirements of this Act is described in Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

³Inactive award instruments include contracts, grants, interagency agreements, and purchase orders.

⁴Federal Acquisition Regulations and NASA policy established time standards for closing various types of award instruments. An instrument not administratively closed within the applicable time standard is considered overaged.

NASA devotes substantial resources to gathering and reporting procurement information. Two years ago, Goddard Space Flight Center identified its procurement data system as a "workload driver" because of the extensive resources needed to maintain the system and to enter and ensure that data were reasonably accurate. Goddard cited several reasons for the problems in this system, including the lack of common internal controls across the various procurement groups at the center.

NASA believes that its planned integrated financial management system will help address the data problems at Goddard and throughout the agency. The system is being designed to collect and retrieve past and current financial, program, and related performance data for analysis, decisionmaking, and performance reporting by managers at all levels. The agency believes the system will provide agency officials and managers with complete, reliable, consistent, and timely information. Planned features of the proposed system include single points of data entry; common processing of similar kinds of transactions; common data elements; consistent internal controls, processing and reporting; and consistent user interfaces and data presentation. NASA projects that core finance, budget, executive information system, and procurement components of the new system will be operating agencywide by July 1, 1999. This is nine months behind the original projected date of October 1, 1998.

As you know, we have identified, and still list, NASA contract management as one of the Comptroller General's high-risk initiatives. During our contract management work at NASA over the last 6 years, we have seen NASA effectively address many problems throughout the procurement cycle. We believe that continuous effective oversight of procurement activities requires both relevant and reliable performance measurements and periodic performance reviews. As we noted in our recent report on high-risk areas throughout the government,⁵ a procurement activity the size of NASA's is likely to experience some problems. One very important procurement management element is the ability to identify such problems early and correct them before they become systemic. Our judgment on removing NASA contract management from the Comptroller General's high-risk list will be largely based on the processes and systems NASA uses to assess and oversee its procurement activities and their capability to consistently produce accurate and reliable information. To that end, we will, at a later date, do a complete review of NASA's procurement self-assessment process and NASA's procurement performance measurements.

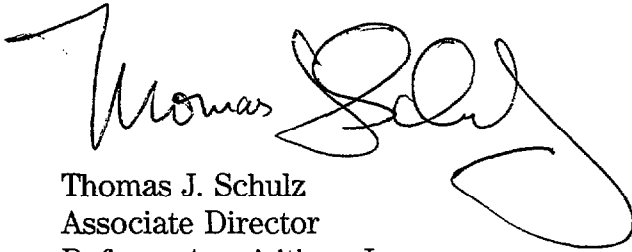
We are sending copies of this letter to the Chairs and Ranking Minority Members of congressional committees with NASA appropriation, authorization, and oversight responsibilities. Copies will also be sent to the Director, Office of Management and

⁵High Risk Series: Quick Reference Guide (GAO/HR-97-2, Feb 1997).

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Budget, and made available to others upon request. If you have any questions, please contact me at (202) 512-4841 or Mr. Frank Degnan, Assistant Director, at (202) 512-4131.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Thomas Schulz". The signature is stylized with a large, sweeping flourish at the end.

Thomas J. Schulz
Associate Director
Defense Acquisitions Issues

(707213)

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