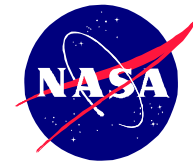


National Aeronautics and
Space Administration

Office of Inspector General
Headquarters
Washington, D.C. 20546-0001



Reply to Attn of:

W

December 15, 2000

TO: A/Administrator

FROM: W/Inspector General

SUBJECT: Review of Jet Propulsion Laboratory Ethics and Self-Governance Processes
and Referrals of Possible Criminal Activity, G-00-009

We initiated our review of the Jet Propulsion Laboratory's (JPL) ethics and self-governance processes because of our concern that the JPL Ethics Office did not timely refer cases with potential criminal implications to either the OIG or other law enforcement entities.¹ The three primary objectives of this review² were to determine whether:

1. JPL ethics and self-governance policies and procedures are consistent with the requirements of its contract with NASA and with best practices within NASA, industry, and academia.
2. JPL is in compliance with its established ethics and self-governance policies and procedures.
3. JPL ethics and self-governance programs, and related security inquiries pertaining to possible or suspected criminal conduct, result in appropriate and timely referrals to the NASA OIG Office of Criminal Investigations or other appropriate law enforcement organizations.

Our inspection disclosed that JPL's ethics and self-governance processes were, with only a few exceptions, in good order and functioning effectively. We recommended that JPL amend its ethics policies and related educational and training materials to more clearly define the responsibility of each JPL employee to report all known or suspected legal and/or ethics violations. To ensure that JPL employees received current ethics information, we also recommended that JPL modify its training program to require that all employees receive refresher ethics training on a periodic basis (e.g., every 1 to 2 years). Further, to ensure timely referral to law enforcement authorities, we recommended that written policies be

¹ When appropriate, referrals should also be made to local law enforcement agencies, the Assistant U.S. Attorney's Office, etc.

² The team utilized the Defense Logistics Agency's *Guidelines for Conducting Contractor Ethics Program Reviews* in planning and conducting this review.

developed to govern procedures for referral of potential criminal or fraud-related matters to the OIG or other appropriate agencies. We also recommended that the policies also include a requirement to report allegations of potential criminal violations in a timelier³ manner to the OIG or other appropriate law enforcement entities. To ensure that JPL ethics officials appropriately utilize specialists in other fields, we recommended that inquiries concerning possible violations of standards peculiar to specific subject areas be referred to cognizant organizations (e.g., Procurement, Safety, Employee Relations, etc.) for advice and/or resolution. NASA management and JPL/California Institute Technology management concurred in all our recommendations.

[original signed by]

Roberta L. Gross

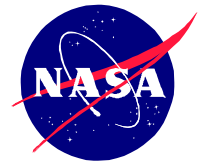
Enclosure

Review of Jet Propulsion Laboratory Ethics and Self-Governance Processes and Referrals of Possible Criminal Activity, G-00-009

³ The NASA OIG Office of Criminal Investigations has an internal policy requiring that the decision to open a formal investigation (or not) be made within ten days of receipt of an allegation. This is consistent with policies found throughout the Federal law enforcement community. JPL Security should adopt a policy requiring completion of a preliminary case assessment and referral of appropriate matters to law enforcement within a similar time frame.

National Aeronautics and
Space Administration

Office of Inspector General
Headquarters
Washington, D.C. 20546-0001



Reply to Attn of:

W

December 15, 2000

TO: S/Associate Administrator for Space Science

FROM: W/Assistant Inspector General for Inspections, Administrative
Investigations and Assessments

SUBJECT: Review of Jet Propulsion Laboratory Ethics and Self-Governance Processes
and Referrals of Possible Criminal Activity, G-00-009

The NASA Office of Inspector General (OIG) initiated this review in response to OIG concerns that the Jet Propulsion Laboratory (JPL) Ethics Office did not timely refer cases with potential criminal implications to either the OIG or other law enforcement entities.¹ The three primary objectives of this review² were to determine whether:

1. JPL ethics and self-governance policies and procedures are consistent with the requirements of its contract with NASA and with best practices within NASA, industry, and academia.
2. JPL is in compliance with its established ethics and self-governance policies and procedures.
3. JPL ethics and self-governance programs, and related security inquiries pertaining to possible or suspected criminal conduct, result in appropriate and timely referrals to the NASA OIG Office of Criminal Investigations or other appropriate law enforcement organizations.

The details of the review process are contained in the JPL Ethics Review Scope and Methodology (See Appendix A).

¹ When appropriate, referrals should also be made to local law enforcement agencies, the Assistant U.S. Attorney's Office, etc.

² The team utilized the Defense Logistics Agency's *Guidelines for Conducting Contractor Ethics Program Reviews* in planning and conducting this review.

I. BACKGROUND

NASA and Caltech have a contractual relationship for the operation of a Federally Funded Research and Development Center (FFRDC) at JPL in Pasadena, California.³ The current contract was executed on September 28, 1998, and will continue through September 28, 2003.

Under the contract, JPL's mission as an FFRDC is defined to include:

- Exploration of the solar system
- Investigations and studies in the fields of earth sciences, astrophysics, astrobiology, and aeronautics
- Research and advanced technical development in space science, space exploration and space transportation
- Participation in NASA's Commercial Technology Program
- Operation and development of the Deep Space Network
- Support of overall NASA research and development programs

Section B-1(b) of the contract requires, in part, that Caltech operate JPL in a manner that is in the public interest, with objectivity and independence, free from organizational conflicts of interest, and with full disclosure of its affairs to NASA.⁴ Consistent with this and other contractual requirements, the JPL Ethics Office was established to ensure that all JPL employees are educated in, and comply with, applicable ethics policies and procedures.⁵ The JPL Ethics Office utilizes the principles established by the Defense Industry Initiative on Business Ethics and Conduct (the DII Principles) as a guideline in operating and evaluating their own ethics program (See Appendix B).

JPL's ethics and self-governance policies and procedures are generally consistent with the requirements of its contract with NASA, with NASA policies, and with the best practices of industry and academia. JPL generally complies with its established ethics and self-governance policies and procedures, though improvements can be made (See Section II). Also, our limited review⁶ indicates that allegations of possible or suspected criminal conduct

³ Federal Acquisition Regulation (FAR) 35.001, defines FFRDC's as activities that are sponsored under a broad charter by a Government agency (or agencies) for the purpose of performing, analyzing, integrating, supporting, and/or managing basic or applied research and/or development, and which receive 70 percent or more of their financial support from the Government.

⁴ This contractual language is a restatement of the requirements found in FAR 35.017.

⁵ The establishment of an ethics office is not an explicit contractual requirement. However, the JPL contract does include FAR clause 52.203-7, Anti-Kickback Procedures, which requires contractors to have in place and follow reasonable procedures designed to prevent and detect violations of the Anti-Kickback Act of 1986, in its own operations and direct business relationships. FAR 3.502-2(i)(1) lists several examples of such reasonable procedures. The establishment of an ethics office is an effective means of deploying such procedures, and is generally recognized as good business practice.

⁶ Our review was essentially limited to a review of the programs and operations of the JPL Ethics Office, and the processing of ethics complaints and inquiries by that organization. The review did not encompass, for example, the manner in which JPL supervisors or managers handle allegations of ethical or criminal misconduct that are surfaced through channels other than the Ethics Office.

received by the JPL Ethics Office are appropriately referred to the JPL Security Office (JPL Security), and ultimately to the NASA OIG or other law enforcement entities, although the timeliness of such referrals to law enforcement could be improved (See Section V).

II. POLICIES AND PROCEDURES

The JPL Ethics Office maintains a written code of business ethics and conduct. This code outlines the manner in which responsibility for compliance with ethical standards is assigned to operating management and others. JPL has a comprehensive set of business policies and procedures related to ethics. In addition to an Ethics Handbook, which summarizes the most important ethics policies in a single document, JPL also has separate official policy documents governing specific ethics issues. They include:

- Ethical Business Conduct (the fundamental statement of JPL ethics policies)
- Use of JPL and Sponsor Resources
- Kickbacks
- Gratuities
- Conflicts of Interest
- Outside Employment
- Fraud
- Ethics in Research

These documents establish the standards governing the conduct of JPL employees in their day-to-day dealings with suppliers, contractors, customers, and others.

Based on our inspection and review of documentation, JPL's policies and procedures are inconsistent regarding the level of emphasis placed on the ethical duty of employees and managers to report known or suspected legal or ethical violations. The Ethics Handbook clearly states that employees have the responsibility for reporting violations of ethics policies and practices to their supervisor or to the Ethics Office. However, the JPL policy on Ethical Business Conduct is not as clear. The Ethical Business Conduct policy states that, "[it] is the responsibility of every employee to seek guidance when ethical business issues are unclear and report suspected violations of ethics policies as set forth in the procedures below." The referenced procedures "below" contains a section entitled "Reporting Business Ethics Violations" that includes the following text:

As required by the Anti-Kickback Act, the Procurement Integrity Act, and JPL ethics policies, employees are required to report violations of these two laws.

Although reporting other types of violations is not required by law, JPL employees are expected to report violations of JPL ethical practices as noted below.

Employees must report any suspected or possible violations of conduct prohibited by the Anti-Kickback Act or violations of certification requirements under the Procurement Integrity Act to the Ethics Manager or through line management to the ethics manager

Matters involving such issues as discrimination, sexual harassment, drug and alcohol abuse, safety and security violations, and work-related problems between employees and management should be handled through normal supervisory and/or other established Laboratory channels.

The above language may be an accurate statement of the law. However, it fosters the perception that violations of the Anti-Kickback Act and the Procurement Integrity Act are serious, and that violations of other criminal statutes and ethical standards are of much lesser importance. Literally read, employees are only required by this policy to report suspected violations of the two named statutes. Compounding this issue is the fact that only the JPL policies on Kickbacks and Ethics in Research include a statement of employee responsibility to report violations. The policies on Use of JPL and Sponsor Resources, Gratuities, Conflicts of Interest, Outside Employment, and Fraud omit mention of an employee's duty to report known or suspected violations of policy.

Recommendation 1: JPL should amend its ethics policies and related educational and training materials to more clearly define the responsibility of each JPL employee to report all known or suspected legal and/or ethics violations.

III. TRAINING AND PROGRAM AWARENESS

The JPL Ethics Office conducts annual training sessions related to the ethics process, policies and procedures. Although this training is not mandatory, the Ethics Office goal is to achieve 100 percent employee participation in the training sessions. The Ethics Advisors conduct training sessions within the various JPL organizations. These training sessions, which are intended to maintain a high level of ethics awareness among JPL employees, feature several case studies based on actual JPL ethics investigations. The training summarizes ethics activity levels for previous years, emphasizing ethics contacts⁷, investigations, and disciplinary action. Also, key ethics policies are briefly described.

Interviews of randomly selected JPL employees indicated that those employees (supervisory and non-supervisory) had general knowledge of the ethics program. They understood how to

⁷ A contact is described as any inquiry or report made to the JPL Ethics Office.

contact the Ethics Office, knew where to go for information on ethics questions (i.e., the Ethics Office web page), and were sensitive to common ethics issues they might face in the performance of their day-to-day duties.

All of the interviewees stated that they were informed of the Ethics Policy during orientation as new JPL employees. In addition, the majority of the employees interviewed remembered attending annual refresher ethics training within the last 2 years. A few of the employees, however, had not attended an ethics training session in 10 years. Despite the 100 percent goal, only 57.4 percent of JPL's employees received ethics training in 1999.⁸ Those employees who did not have a copy of the Ethics Handbook⁹ were aware that the information was available for them to view on the Ethics Office's web page.

Recommendation 2: In addition to the mandatory training provided to all new employees, JPL should modify the training program to require that all employees receive refresher ethics training on a periodic basis (e.g., every 1 to 2 years).

IV. REPORTING VIOLATIONS WITHOUT FEAR OF RETRIBUTION

Within the scope of our review, the majority of employees we interviewed indicated an ability to freely report ethics or other violations without fear of retribution. The employees were aware that the ethics program included a mechanism¹⁰ for employees to confidentially report suspected violations to someone other than a supervisor.

V. REFERRAL AND INVESTIGATION PROCEDURES

Our review of the 1999 Ethics Office contact log disclosed over 900 total contacts. Of those, 55 appeared of sufficient nature (i.e., suspicion of possible criminal conduct) for referral to the OIG or other appropriate law enforcement entities. However, review of the Ethics Office case files for each of those 55 contacts disclosed no instances where referral to law enforcement should have occurred but did not.

⁸ Based on the *1999 Training Recap* by the JPL Ethics Office, dated May 3, 2000.

⁹ The JPL Ethics Office issued a notice in February 1999 that paper versions of the Handbook would no longer be available due to high printing costs and difficulty updating changes. The Handbook is available electronically at: <http://ethics-www.jpl.nasa.gov/JPL/ethics/>.

¹⁰ The JPL Ethics Office permits employees to report allegations completely anonymously if the employee so elects. The Ethics Office has a "hotline" which does not have "caller ID" capability and is only answered by JPL Ethics Counselors. When an Ethics Counselor is not available to answer the "hotline," calls are routed to an answering machine (operating 24 hours per day). The messages on the answering machine are only retrieved by one of the three Ethics Counselors. Anonymous callers are assigned a unique identifying code that permits them, at their option, to call back periodically to check on the status of their complaint or to provide more information to the Ethics Office staff if needed.

JPL Security is the JPL point of contact for referral of matters to the OIG or other law enforcement agencies. JPL Security referred 12 matters to the OIG between August 1998 and January 2000. The elapsed time between the dates that JPL Security opened a case and the dates of referral to the OIG range from a few days to more than 1 year. Most common are delays of 2 to 3 months between case opening by JPL Security and referral to the OIG.

A flow chart titled “Ethics Contact Process” describes in detail the manner in which JPL handles ethics cases from intake to file closing (See Appendix C). That process includes a decision block at which a determination is made of the potential for criminal or liability issues. If so, the Caltech/JPL General Counsel’s office, JPL Security, and Employee Relations are briefed on the matter by the Ethics Office. The next decision block requires a determination of whether the allegations indicate potential criminal issues requiring Government agency disclosures. If so, the process dictates the next step is for JPL Security to notify the appropriate Government agencies, after which an investigation of the allegation is conducted by those agencies. The typical 2-month lag between case opening by JPL Security and referral to the OIG indicates that JPL’s practice in this regard varies from their established process of making appropriate Government notifications of potential criminal violations before conducting the investigations. This practice potentially impairs the ability of OIG or other investigators to effectively investigate these matters. One possible reason for this variance is the apparent lack of any written policy setting forth criteria for determining whether a case should be referred to law enforcement, and when.

The contact log also included three instances in which the Ethics Office answered and then closed out procurement-related inquiries without referring those matters to the JPL procurement organization. The OIG believes that generally it would be more appropriate to refer such matters to the subject matter experts (i.e., Procurement Office, Safety, Employee Relations, etc.) for advice and/or resolution, with follow-up by the Ethics Office to ensure that such referrals are appropriately addressed.

Recommendation 3: JPL should promulgate written policies setting forth the criteria and the procedures for referral of potential criminal or fraud-related matters to the OIG or other appropriate agencies. Such policies should also include a requirement to report allegations of potential criminal violations in a timelier¹¹ manner to the OIG or other appropriate law enforcement entities.

Recommendation 4: The JPL Ethics Office should refer inquiries concerning possible violations of standards peculiar to specific subject areas to the cognizant organizations (e.g., Procurement, Safety, Employee Relations, etc.) for advice and/or resolution.

¹¹ The NASA OIG Office of Criminal Investigations has an internal policy requiring that the decision to open a formal investigation (or not) be made within ten days of receipt of an allegation. This is consistent with policies found throughout the Federal law enforcement community. JPL Security should adopt a policy requiring completion of a preliminary case assessment and referral of appropriate matters to law enforcement within a similar time frame.

VI. SUMMARY AND EVALUATION OF MANAGEMENT RESPONSE

We received NASA management's conveyance of JPL responses to our draft report on November 30, 2000 (See Appendix F). NASA and JPL management concurred with our four recommendations with planned corrective actions. We consider these recommendations resolved pending verification of corrective action.

VII. CONCLUSION

JPL has in place the core elements of an effective ethics program. JPL's ethics and self-governance policies and procedures are generally consistent with the requirements of its contract with NASA, with NASA policies, and with the best practices of industry and academia. JPL generally complies with its established ethics and self-governance policies and procedures. From our limited survey it appears that allegations of possible or suspected criminal conduct received by the JPL Ethics Office are appropriately referred to JPL Security, and ultimately to the NASA OIG or other law enforcement entities. The timeliness of such referrals to law enforcement could be improved. Our limited review did not reveal any significant deficiencies in the program, but did disclose some areas, which could be improved.

Specifically, both the JPL official ethics policies and its ethics training program should be amended to clarify each employee's ethical responsibility to report known or suspected ethical or criminal violations, and all employees should receive refresher ethics training on a periodic basis. In addition, procedures for timely referral of potential criminal cases need to be established and followed.

[original signed by]

David M. Cushing

7 Enclosures:

Appendix A: Review Scope and Methodology
Appendix B: Defense Industry Initiative Principles
Appendix C: Ethics Contact Process
Appendix D: Interview Questionnaires
Appendix E: Interview Summary Matrix
Appendix F: Management Response
Appendix G: Report Distribution
NASA Office of Inspector General Reader Survey

MAJOR CONTRIBUTORS TO THIS REPORT

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APPENDIX A

Scope and Methodology

JPL Ethics Review Scope and Methodology

I. SCOPE

During the week of May 22, 2000, the NASA OIG, Office of Inspections, Administrative Investigations and Assessments, conducted a review of JPL/Caltech policies on ethical conduct, self-governance, and the law enforcement referral processes. The review's three objectives were to determine whether:

- JPL ethics and self-governance policies and procedures are consistent with the requirements of its contract with NASA, with NASA policies, and with best practices within industry and academia.
- JPL is in compliance with its established ethics and self-governance policies and procedures.
- JPL ethics and self-governance, and related security inquiries pertaining to possible or suspected criminal conduct, result in appropriate and timely referrals to the NASA OIG Office of Criminal Investigations or other appropriate law enforcement entities.

II. DOCUMENTATION REVIEW

The JPL ethics program is tailored to follow the DII principles (See Appendix B). These principles provide guidelines for the establishment and operation of Government contractor ethics programs. The principles were developed in 1986 by representatives of 18 corporations who were the recipients of a significant number of contracts with the Department of Defense. Since their development, many Government contracting organizations have used the DII Principles as a guide to establish and operate their ethics programs.

Caltech, in its operation of JPL, is not contractually obligated to establish an ethics program conforming to the DII Principles or to any other particular model. The review team utilized the DII Principles and the contractor standards of conduct found in the Defense Federal Acquisition Regulation Supplement (DFARS) subpart 203.70 as benchmark examples of best practices during the ethics program review.

The team also reviewed the following documents to determine adherence to appropriate policies and procedures by Caltech, JPL, and the JPL Ethics Office:

- Contract NAS-7-1407
- Federal Acquisition Regulation (FAR)
- NASA Federal Acquisition Regulation Supplement (NFS)
- DFARS Subpart 203.70 - Contractor Standards of Conduct¹
- "Guidelines for Conducting Contractor Ethics Program Reviews"

¹ There are no corresponding sections regarding contractor standards of conduct in either the FAR or NFS.

- “University of California at San Francisco (UCSF) Investigator's Handbook: The Regulatory Environment for Research at UCSF”²

The Inspection team reviewed the following documentation directly related to the establishment and operation of the JPL ethics program to verify compliance:

- JPL Business Ethics Office website
- JPL Ethics Handbook
- JPL Ethics Policies
- JPL Ethics Office Case Log
- JPL Ethics Office case files

III. METHODOLOGY

The team conducted the following activities during the site visit in May 2000:

- Reviewed the JPL Ethics Office Case Log
- Reviewed case files to determine corrective action procedures utilized by the JPL Ethics Office
- Reviewed a judgmental sample of case files
- Reviewed the JPL Ethics Office program files

The team conducted interviews with the groups of individuals listed below. Separate questionnaires were developed for managerial and non-managerial personnel (See Appendix D). The questionnaires utilized during the random interviews did not contain employee identification data. The focus of the random interviews was to determine the employees' level of awareness of the JPL Ethics Program and their ability to take advantage of its services if warranted.

- NASA Management Office (NMO) officials
- JPL Ethics Officer and Ethics Office staff
- JPL Office of General Counsel representatives
- JPL Program Managers (selected individuals)
- JPL employees not directly involved in the management or administration of the JPL Ethics Program (randomly selected)

An informal entrance conference was held at the beginning of the site visit. Representatives from JPL management, the NMO and the Inspection team members were present. The overall goals, focus, and inspection methodology were discussed. The team conducted a total of 31 interviews with a cross section of randomly selected JPL employees, which included but was not limited to engineers, scientists, managers, technicians, business administration staff, and clerical staff. A summary matrix of the random interviews is included as Appendix D to the report.

² Used by the Inspection Team as a tool for regulatory reviews at research installations.

A brief summary of the results was provided to representatives from JPL at the conclusion of the site visit. The Inspection team informed the representatives that a report of the findings and any recommendations was forthcoming.

APPENDIX B

Defense Industry Initiative Principles

DEFENSE INDUSTRY INITIATIVE ON
BUSINESS ETHICS AND CONDUCT

PRINCIPLES

I. Principles

1. Each company will have and adhere to a written code of business ethics and conduct.
2. The company's code establishes the high values expected of its employees and the standard by which they must judge their own conduct and that of their organization; each company will train its employees concerning their personal responsibilities under the code.
3. Each company will create a free and open atmosphere that allows and encourages employees to report violations of its code to the company without fear of retribution for such reporting.
4. Each company has the obligation to self-govern by monitoring compliance with federal procurement laws and adopting procedures for voluntary disclosure of violations of federal procurement laws and corrective actions taken.
5. Each company has a responsibility to each of the other companies in the industry to live by standards of conduct that preserve the integrity of the defense industry.
6. Each company must have public accountability for its commitment to these principles.

II. Implementation: Supporting Programs

While all companies pledge to abide by the six principles, each company agrees that it has implemented or will implement policies and programs to meet its management needs.

Principle 1: Written Code of Business Ethics and Conduct

A company's code of business ethics and conduct should embody the values that it and its employees hold most important; it is the highest expression of a corporation's culture. For a defense contractor, the code represents the commitment of the company and its employees to work for its shareholders, and the nation.

It is important, therefore, that a defense contractor's written code explicitly address that higher commitment. It must also include a statement of the standards that govern the conduct of all employees in their dealings with customers, suppliers, and consultants. The statement also must include an explanation of the consequences of violating those standards, and a clear assignment of responsibility to operating management and others for monitoring and enforcing the standards throughout the company. Defense industry marketing activities, including the gathering of competitive information and the engagement and use of consultants (whether engaged in bid and proposal activity, marketing, research and development, engineering, or other tasks), should be explicitly addressed. There should be a description of limitations on information which employees or consultants seek or receive. Where consultants are engaged, the company's code of conduct or policies should require that the consultants are governed by, and oriented regarding, the company's code of and relevant associated policies.

Principle 2: Employees' Ethical Responsibilities

A company's code of business ethics and conduct should embody the basic values and culture of a company and should become a way of life, a form of honor system, for every employee. Only if the code is embodied in some of honor system does it become more than mere words or abstract ideals. Adherence to the code becomes a responsibility of each employee both to the company and to fellow employees. Failure to live by the code, or to report infractions, erodes the trust essential to personal accountability and an effective corporate business ethics system.

Code of business ethics and conduct are effective only if they are fully understood by every employee. Communication and training are critical to preparing employees to meet their ethical responsibilities. Companies can use a wide variety of methods to communicate their codes and policies and to educate their employees as to how to fulfill their obligations. Whatever methods are used -- broad distribution of written codes, personnel orientation programs, group meetings, videotapes, and articles -- it is critical that they ensure total coverage.

Principle 3: Corporate Responsibility to Employees

Every company must ensure that employees have the opportunity to fulfill their responsibility to preserve the integrity of the code and their honor system. Employees should be free to report suspected violations of the code to the company without fear of retribution for such reporting.

To encourage the surfacing of problems, normal management channels should be supplemented by a confidential reporting mechanism.

It is critical that companies create and maintain an environment of openness where disclosures are accepted and expected. Employees must believe that to raise a concern or report misconduct is expected, accepted, and protected behavior, not the exception. This removes any legitimate rationale for employees to delay reporting alleged violations or for former employees to allege past offenses by former employers or associates.

To receive and investigate employee allegations of violation of the corporate code of business ethics and conduct, defense contractors can use a contract review board, an ombudsman, a corporate ethics or compliance office, or other similar mechanism.

In general, the companies accept the broadest responsibility to create an environment in which free, open, and timely reporting of any suspected violations becomes the felt responsibility of every employee.

Principle 4: Corporate Responsibility to the Government

It is the responsibility of each company to aggressively self-govern and monitor adherence to its code and to federal procurement laws. Procedures will be established by each company for voluntarily reporting to appropriate government authorities violations of federal procurement laws and corrective actions.

In the past, major importance has been placed on whether internal company monitoring has uncovered deficiencies before discovery by governmental audit. The process will be more effective if all monitoring efforts are viewed as mutually reinforcing and the measure of performance is a timely and constructive surfacing of issues.

Corporate and government audit and control mechanisms should be used to identify and correct problems. Government and industry share this responsibility and must work together cooperatively and constructively to ensure compliance with federal procurement laws and to clarify any ambiguities that exist.

Principle 5: Corporate Responsibility to the Defense Industry

Each company must understand that rigorous self-governance is the foundation of these principles of business ethics and

conduct and of the public's perception of the integrity of the defense industry.

Since methods of accountability can be improved through shared experience and adaptation, companies will participate in an annual intercompany "Best Practices Forum" that will bring together operating and staff managers from across the industry to discuss ways to implement the industry's principles of accountability.

Each company's compliance with the principles will be reviewed by a Board of Directors committee comprised of outside directors.

Principle 6: Public Accountability

The mechanism for public accountability will require each company to complete and submit annually the attached questionnaire [Appendix D-1] to an external independent body which will report the results for the industry as a whole and release the data simultaneously to the companies and the general public.

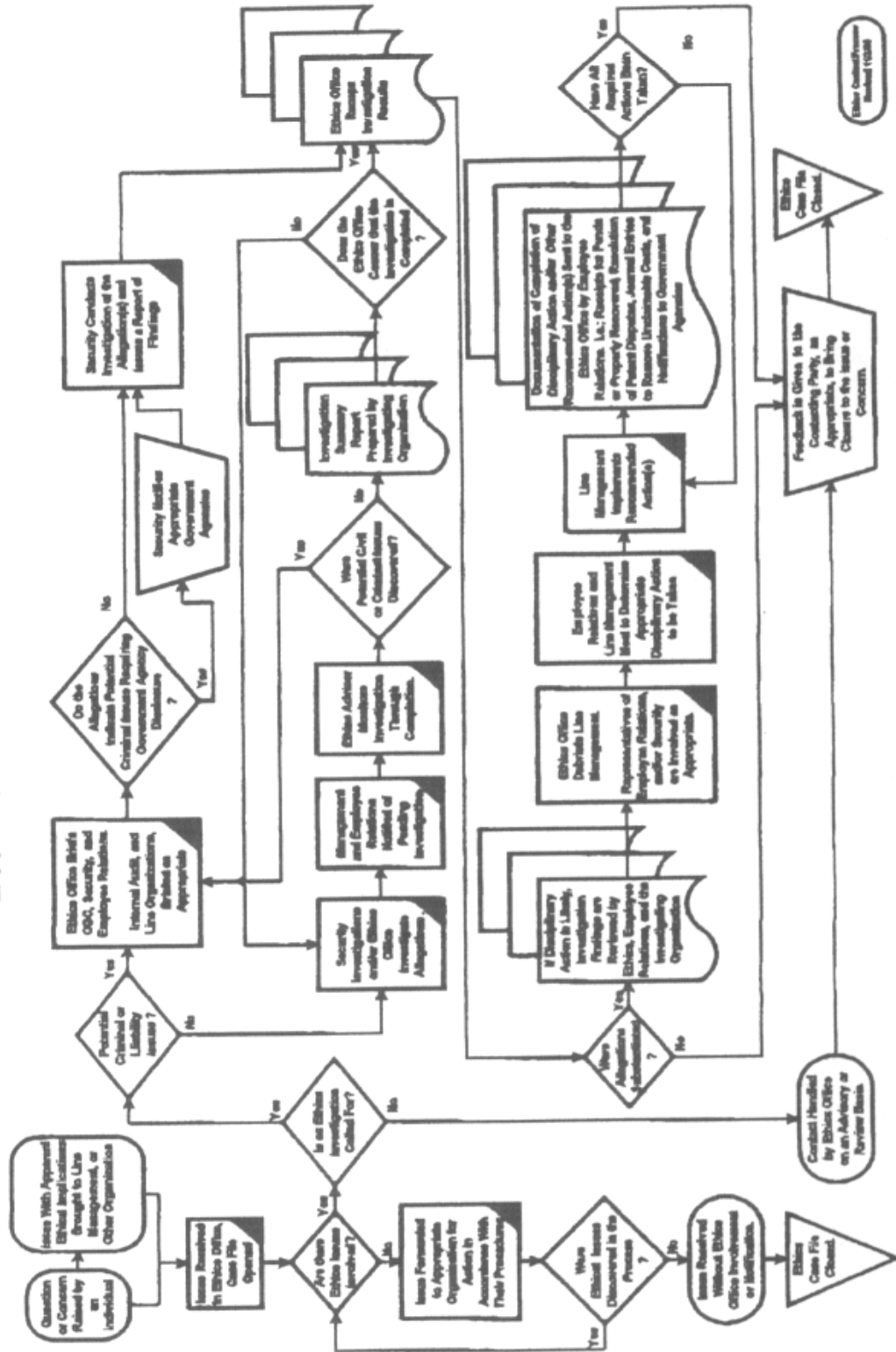
This annual review, which will be conducted through 1994, is a critical element giving force to these principles and adding integrity to this defense industry initiative as a whole. Ethical accountability, as a food-faith process, should not be affirmed behind closed doors. The defense industry is confronted with a problem of public perception -- a loss of confidence in its integrity -- that must be addressed publicly if the results are to be both real and credible, to the government and public alike.

It is in this spirit of public accountability that this initiative has been adopted and these principles have been established.

APPENDIX C

Ethics Contact Process

ETHICS CONTACT PROCESS



APPENDIX D

Interview Questionnaires

Interview Questionnaires

Questionnaire for Managerial Employees (Not involved in the Ethics Program management)

1. How long have you worked for JPL?
How long have you worked as a Government contractor employee?
2. Have you received ethics training? Please describe.
When? Where?
Was attendance documented?
3. Which of your subordinates are trained?
How often? On what topics?
Who is responsible for identifying employees to be trained and ensuring the training is completed?
Is the training successful? Why not?
4. What written materials does JPL provide dealing with acceptable/unacceptable business practices?
How are they distributed? Do you have copies? Are these materials helpful?
5. Who is in charge of the business ethics/integrity program?
Explain the structure(s) involved (e.g., committees, routing of complaints, etc.)
6. Have you had occasion to sign statements, certifications, or forms relating to JPL's standards of conduct or business practices? Procurement integrity, if applicable?
7. If yes, please explain the circumstances.
Are you required to make financial disclosures? How often do you make them?
What is the purpose or significance of certifications/disclosures?

Questionnaire for Non-managerial Employees

Manager/supervisor/union rep [was][was not] present during interview.

1. Has employee received ethics training?
If no, has ethics training been offered?
2. Is employee aware of JPL standards of conduct, particularly those that are especially relevant to his/her duties?
3. Has employee been provided a copy of standards of conducts/code of ethics?
4. Has employee ever had occasion to certify familiarity with the ethics program?
5. Does employee know how to report suspected ethics or criminal violations?
 - a. With whom can employee discuss ethical concerns?
 - b. Where can suspected violations be reported?
 - c. Can violations be anonymously reported?
 - d. Can violations be reported after working hours?
6. Does employee believe he or she could discuss ethical concerns with supervisor without fear of reprisal?

7. Has employee ever been involved (witness, complainant, subject) in an investigation of an alleged ethical or criminal violation? If so, describe generally their involvement.

Does employee know the outcome of the investigation?

Describe the employee's level of trust, confidence in the JPL Ethics Program.

APPENDIX E

Interview Summary Matrix

Interview Summary Matrix

Interview Number	Years Employed (When identified)	Type of Job	Ethics Training Within 2 Years	How Long Since Last Training
1	9	Engineer	YES	
2		Engineer	YES	
3	22	Engineer	NO	10 years ago
4		Technician	YES	
5		Technician	YES	
6		Research	NO	Not mandatory
7		Engineer	YES	
8	17	Manager	YES	
9		Safety	YES	
10		Negotiator	YES	
11	7	Accountant	YES	
12		Negotiator	YES	
13		Engineer	YES	
14		Procurement	YES	
15		Manager	YES	
16		Manager	YES	
17		Finance	YES	
18		Secretary	NO	Not mandatory
19	34	Engineer	YES	Waste of time
20	10	Facilities	YES	
21	10	Technician	NO	Does not trust management
22	15	Engineer	YES	
23		Optical	YES	
24	2	Engineer	YES	
25	8	Engineer	YES	
26	10	Engineer	NO	When hired
27		Engineer	YES	
28		Engineer	YES	
29	17	Engineer	YES	
30	20	Secretary	NO	
31		Technician	YES	

APPENDIX F

Management Response

National Aeronautics and
Space Administration
Office of Space Science

NASA Management Office

180-801
Jet Propulsion Laboratory
4800 Oak Grove Drive
Pasadena, CA 91109-8099



Reply to Attn of: SJ

NOV 30 2000

TO: W/Assistant Inspector General for Inspections, Administrative
Investigations and Assessments

FROM: SJ/Director, NASA Management Office (NMO)

SUBJECT: Comments to G-00-009, Draft Report

Enclosed you will find the response from the Jet Propulsion Laboratory (JPL) concerning the subject review. Although all the corrective actions have not yet been completed, JPL concurs with each of the recommendations.

The Office of Space Science agrees with JPL's responses and planned corrective actions.

A handwritten signature in black ink, appearing to read "R. Parker", with a long, sweeping underline.

Robert Parker
Director, NASA Management Office

Enclosure

cc:
JM/D. Green
S/C. Ellis
SJ/D. Bromley
SP/N. Porter

Jet Propulsion Laboratory
California Institute of Technology
4800 Oak Grove Drive
Pasadena, California 91109-8099
(818) 354-4321



November 28, 2000
Ref: 068-00/KD/REH:all

Dr. Robert A. Parker
Director, NASA Management Office
Jet Propulsion Laboratory
4800 Oak Grove Drive
MS 180-801
Pasadena CA 91109-8099

Bob

Dear Dr. ~~Parker~~:

Subject: JPL Response to NASA OIG Review of Jet Propulsion Laboratory
Ethics and Self Governance Processes and Referrals of Possible
Criminal Activity, G-00-0009

The following is JPL's response to the recommendations contained in the subject report.

Recommendation 1: JPL should amend its ethics policies and related educational and training materials to more clearly define the responsibility of each JPL employee to report all known or suspected legal and/or ethics violations.

Response: JPL concurs with this recommendation. We are in the process of amending the Laboratory's umbrella Ethics policy, "Ethical Business Conduct," to read that JPL employees are required to report criminal acts and material violations of the Laboratory's Ethics policies. All of the remaining Ethics policies will refer to the umbrella policy.

Recommendation 2: In addition to the mandatory training provided to all employees, JPL should modify the training program to require that all employees receive refresher ethics training on a periodic basis (e.g., every one to two years).

Response: Updated Ethics training is offered each year to all JPL employees. JPL concurs with the recommendation that all JPL employees receive this training at least once every two years. The Ethics office will implement a system whereby JPL Managers will be notified, on a regular basis, of the dates on which each of their employees last received Ethics training and the identity of those employees who have not received Ethics training in the previous two years.

Dr. Robert A. Parker

-2-

November 28, 2000

Recommendation 3: JPL should promulgate written policies setting forth the criteria and the procedures for referral of potential criminal or fraud-related matters to the OIG or other appropriate agencies. Such policies should also include a requirement to report allegations of potential criminal violations in a timelier manner to the OIG or other appropriate law enforcement entities.

Response: JPL concurs with this recommendation. JPL will issue policies establishing the criteria and the procedure controlling disclosure.

Recommendation 4: The JPL ethics office should refer inquires concerning possible violations of standards peculiar to specific subject areas to the cognizant organizations (e.g. Procurement, Safety, Employee Relations, etc.) for advice and/or resolution.

Response: It is the policy of the Ethics Office to defer to subject matter experts in all matters where the answer to a question is not obvious. JPL agrees that the files reviewed by OIG did not clearly state that the subject matter experts had been consulted on the matter. Greater care will be taken in the future to document such consultations.

Sincerely,



Kirk Dawson
Associate Director, Institutional

cc: E. Baker – NASA OIG/JPL
D. Bromley – NMO/JPL
D. Cushing – NASA OIG

APPENDIX G

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