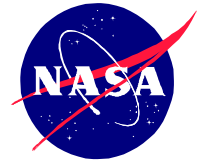


National Aeronautics and
Space Administration

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



Reply to Attn of: W

May 19, 2003

TO: 0100/Director, Glenn Research Center at Lewis Field

FROM: W/Assistant Inspector General for Auditing

SUBJECT: Final Management Letter for Audit of Contract Administration for Glenn's
Management Operations Contract
Assignment Number A-01-046-01
Report Number IG-03-014

In Office of Inspector General Audit Report IG-03-003, "NASA Contracts for Professional, Administrative, and Management Support Services," issued October 16, 2002, we identified potential contract administration problems unique to the management operations contract that Glenn Research Center (Glenn) has with InDyne, Inc. InDyne, Inc. provides Glenn with logistics, imaging technology, publishing, metrology, and library services and administrative and clerical support under a 5-year performance-based, cost plus incentive fee and award fee contract. As of December 31, 2002, the contract value, including unexercised options, was about \$103 million. We conducted this audit to determine whether Glenn adequately supported technical incentive fee determinations for contract services and addressed the appearance of inappropriate involvement of civil servants in the contractor's employee awards program. Enclosure 1 contains details on our audit scope and methodology.

We found that Glenn adequately supported technical incentive fee determinations for 90 percent of the fee available to the contractor. However, Glenn did not have current and complete data to support fee determinations for \$180,000 for administrative and clerical support, which represented 10 percent of the total technical fee.

We also found that InDyne revised its internal Special Achievement cash award procedures to require its supervisors to independently make all employee award decisions, eliminating the appearance of inappropriate involvement of Glenn civil servants in the contractor's employee awards program. Our prior audit found cases where InDyne's cash awards for employees were inappropriately influenced by recommendations from Glenn civil servants.

Incomplete Support for 10 Percent of Technical Incentive Fee Determinations

The contracting officer's technical representative (COTR) delegated responsibility for monitoring the contractor's work performance to technical representatives (TRs). The delegations, which were signed by the TRs, included a requirement that the TRs submit monthly evaluation reports for the COTR's use in determining the contractor's technical incentive fee. However, for the 6-month period May 1 to October 31, 2002, Glenn TRs submitted only 142 (50 percent) of the 282 required monthly evaluation reports related to administrative and clerical support. Additionally, we found that 8 (17 percent) of the 47 TRs did not submit any required monthly evaluation reports during the 6-month period. The COTR did not follow up monthly with the TRs to obtain the missing evaluation reports. Instead, the COTR used the rating in prior evaluation reports to determine the technical incentive fee for the month in question. The data used from prior evaluation reports resulted in incentive fee evaluations based, in part, on information that was more than 6 months old.

Recommendation, Management Response, and Evaluation of Management Response

The Director, Glenn Research Center at Lewis Field, should direct the COTR for the InDyne, Inc. contract to verify that TRs submit required monthly evaluation reports to support technical incentive fee determinations for administrative and clerical support and where the TRs have not submitted the required evaluation reports, to remind the TRs of the requirement in their letters of delegation.

Management Response. Concur. The COTR will send out notices on the 20th and 27th of each month to remind the TRs of their delegated responsibility to submit a monthly evaluation report. The COTR will review all monthly TR submissions. Any TR omission will result in notification to the TR of the delegated contractual responsibility to submit a monthly evaluation survey, with a suspense date of 5 working days. If the TR is still unresponsive, a telephone call will be made to the TR's next higher-level supervisor, requesting assistance in obtaining the evaluation. The complete text of management's response is in Enclosure 2.

Evaluation of Management Response. Management's corrective action is responsive to the recommendation. The recommendation is resolved and dispositioned and will be closed.

We appreciate the courtesies and cooperation provided to the auditors during the audit. If you have questions, or would like to discuss this matter further, please contact Mr. Joseph F. Kroener, Director, Procurement Directorate, at (202) 358-2566; Mr. Lorne A. Dear, Associate Director, Procurement Directorate, at (818) 354-5634; or Mr. Michael P. Bruns, Lead Auditor, at (216) 433-8918.

[original signed by]
David M. Cushing

2 Enclosures

cc:
H/Audit Liaison Representative
JM/Director, Management Assessment Division
GRC/3-12/Audit Liaison Representative

Scope and Methodology

We performed audit field work at Glenn from October 2002 to January 2003. To determine whether Glenn adequately supported technical incentive fee determinations for contract services, we reviewed the contract quality assurance surveillance plan, TR letters of delegation, and monthly evaluation reports and performance results for the period May 1 to October 31, 2002. Additionally, we discussed monitoring procedures and monthly evaluation reports with the COTR.

To determine whether Glenn provided appropriate oversight to the contractor's employee awards process, we obtained guidance from Office of Inspector General legal counsel regarding contractor employee awards and personal services issues, obtained a list of all employee cash awards made during 2002, and reviewed contractor award policies and accounting practices. We statistically sampled 10 employee cash awards made during 2002 and reviewed the supporting documentation. We performed the audit in accordance with generally accepted government auditing standards.

National Aeronautics and
Space Administration
John H. Glenn Research Center
Lewis Field
Cleveland, OH 44135-3191



April 10, 2003

Reply to Attn of: 0200

TO: NASA Headquarters
Attn: W/Assistant Inspector General for Audits

FROM: 0100/Director

SUBJECT: Draft Management Letter for Audit of Contract Administration for Glenn's
Management Operations Contract, Assignment Number A-01-046-01

We have reviewed the subject management letter in response to your request of March 26, 2003, subject as above. Our detailed comments follow.

Recommendation: The Director, Glenn Research Center at Lewis Field, should direct the COTR for the InDyne, Inc. contract to verify that technical representatives (TRs) submit required monthly evaluation reports to support technical incentive fee determinations for administrative and clerical support and where the TRs have not submitted the required evaluation reports, to remind the TRs of the requirement in their letters of delegation.

GRC Response:

We concur with this recommendation.

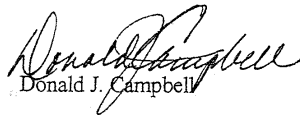
Actions Planned, In Process, or Complete:

Action Complete: The COTR has been directed to send out reminder notices on the 20th and 27th of each month informing the TRs of their delegated contractual responsibility to submit a monthly evaluation survey.

Action in Process: The COTR will review all monthly TR submissions. Any TR omissions will result in notification to the TR of their delegated contractual responsibility to submit a monthly evaluation survey, with a suspense date of 5 working days. If the TR is still unresponsive, a phone call will be made to the TR's next higher level of supervision requesting assistance in obtaining a monthly evaluation.

Projected Corrective Action Closure Date: May 1, 2003

We appreciate the opportunity to review the draft management letter. If you have any questions or need additional information regarding our comments, please contact Patrick A. Iler at (216) 433-5319.


Donald J. Campbell

cc:
HQ/HK/L. G. Becker
JM/J. D. Werner
R/J. F. Creedon
RS/S. M. Humphrey