

National Aeronautics and
Space Administration



Office of Inspector General
Washington, DC 20546-0001

March 14, 2012

TO: William P. McNally
Assistant Administrator for Procurement

FROM: Paul K. Martin 
Inspector General

SUBJECT: Final Memorandum on NASA's Compliance with Provisions of the Duncan Hunter National Defense Authorization Act of 2009 – Management of Cost-Reimbursement Contracts (Report No. IG-12-014; Assignment No. A-12-001-00)

Section 864 of the Duncan Hunter National Defense Authorization Act of 2009 (Duncan Hunter Act) requires agency Inspectors General to report on use of cost-reimbursement contracts and level of compliance with related Federal procurement rules.¹ For this review, we examined 39 contracts and 1 task order for facility management services, engineering services, aeronautics research and development, and components for NASA's space vehicles, with a combined value of approximately \$2.5 billion.² (See Enclosure 1 for details on our scope and methodology.)

Summary Finding

With the specific exceptions described below, we found that NASA generally complied with the Duncan Hunter Act and related guidelines of the Federal Acquisition Regulation (FAR) by properly documenting during acquisition planning the rationale, risks, and resources for the use of other than firm-fixed-price contracts (such as cost-reimbursement contracts); assigning contracting officer's technical representatives (COTRs) prior to contract award; and validating the adequacy of contractors' accounting systems. However, we found several instances of noncompliance, including four contract files that did not contain written acquisition plans or documentation of all required acquisition planning elements; two files that did not contain documentation of the rationale for the type of contract selected; five instances in which COTRs were not appointed until after contract award; and one case in which we were unable to determine when the COTR had

¹ Pub. L. 110-417.

² Throughout this memorandum, we will refer to these collectively as contracts or contract files.

been appointed. Finally, we noted five cases where NASA had not validated the adequacy of the contractor's accounting system.

We made three recommendations to the Agency to address the issues noted above: (1) issue a Procurement Information Circular to all procurement personnel to disseminate the new requirements for using cost-reimbursement contracts to all procurement personnel; (2) revise the NASA FAR Supplement to address inconsistencies between NASA's guidance and the new requirements for using cost-reimbursement contracts; and (3) update the current training curriculum to include the new requirements for the use of cost-reimbursement contracts. The Assistant Administrator for Procurement partially concurred with our recommendation to issue a new Procurement Information Circular, stating that he planned to notify personnel of the new requirements through alternative means, and concurred with our other two recommendations. We found the Agency's proposed actions to our recommendations to be responsive and therefore consider the recommendations resolved.

Background

Section 864 of the Duncan Hunter Act requires the implementation of additional regulatory guidance on the proper use and management of cost-reimbursement contracts. Cost-reimbursement contracts provide for payment of the contractor's allowable incurred costs up to a ceiling amount, as established by the contract. Payments in excess of the ceiling amount must be approved by the contracting officer. Cost-reimbursement contracts are suitable for use only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to enable the use of a fixed-price contract. A firm-fixed-price contract provides for a price that is not subject to any adjustment based on the contractor's costs during performance of the contract, thereby placing maximum risk upon the contractor and assigning the contractor full responsibility for all costs as well as resulting profit or loss. As a result, firm-fixed-price contracts provide maximum incentive for the contractor to control costs and perform effectively. In accordance with the Duncan Hunter Act, the additional regulatory guidance was to describe circumstances when cost-reimbursement contracts are appropriate, the documentation required to support the selection of a cost-reimbursement contract, and the acquisition resources necessary to award and manage such contracts.

In March 2009, the President issued a memorandum directing all Government agencies to save \$40 billion in contracting costs annually by fiscal year (FY) 2011. Among other issues, the memorandum required agencies to develop guidance to reduce the use of cost-reimbursement contracts.³

In an effort to implement Section 864 and align Federal procurement law with the Presidential memorandum, NASA, the Department of Defense, and the General Services

³ President's Memorandum on Government Contracting, March 4, 2009.

Administration issued an interim rule on March 16, 2011, amending the FAR.⁴ The interim rule expands guidance on the proper use and management of other than firm-fixed-price contracts and identifies circumstances where cost-reimbursement contracts are appropriate.⁵ The rule identifies three specific requirements related to the use of cost-reimbursement contracts: acquisition planning, delegation of COTRs, and validation of contractor accounting systems.

Acquisition Plans

Acquisition planning activities should integrate the efforts of personnel responsible for all significant aspects of the acquisition. Generally, program and contracting officials share responsibility for the majority of acquisition planning activities. Sound acquisition planning helps ensure that NASA meets its objectives in the most effective, economical, and timely manner. The interim FAR rule requires contracting officers to ensure written acquisition plans with the following elements are developed for all non-firm-fixed-price contracts:

- discussion of the rationale for the type of contract selected;
- a strategy to transition from a cost-reimbursement contract to a firm-fixed-price contract;
- identification of risks to the agency based on the contract type selected, including how the risks were identified, the nature of the risks, and how the risks will be managed and mitigated;
- the resources necessary to properly plan for, award, and administer the contract type selected; and
- signatures of personnel at least one level above the contracting officer who approve the acquisition plan.

Under the interim FAR rule, NASA's Assistant Administrator for Procurement is responsible for establishing criteria and thresholds at which increasingly greater detail and formality in the acquisition planning process is required as the acquisition becomes more complex and costly, including for cost-reimbursement and other high-risk contracts (i.e., other than firm-fixed-price contracts) requiring a written acquisition plan. This is addressed through NASA FAR Supplement 1807.103, which requires written acquisition plans or documentation of procurement strategy meetings for all contracts expected to

⁴ The FAR is the primary regulation used by Federal agencies to purchase supplies and services.

⁵ While the interim FAR rule was effective March 16, 2011, subsequent issuance of the final FAR rule on March 2, 2012, resulted in additions and deletions to the interim FAR rule provisions. These changes were not included in our review. The final FAR rule is effective April 2, 2012.

exceed \$10 million. For contracts below that level, the contracting officer need only document the rationale for the contract type selected.⁶

COTR Delegation

COTRs are responsible for monitoring contractor performance, contract funding, and costs incurred by the contractor. The interim FAR rule requires agencies to delegate certified COTRs to contracts prior to contract award.⁷ As the Defense Acquisition Regulation Council and the Civilian Agency Acquisition Council noted, “greater accountability for the management and oversight of all contracts, especially other than firm-fixed-price contracts, can be gained and improved by requiring that properly trained COTRs be appointed prior to contract award.”

Adequacy of Contractor’s Accounting System

Government contracts are subject to a set of rules known as Cost Accounting Standards (Cost Standards) by which contractors estimate, accumulate, and report costs. Agency contracting officers are responsible for validating contractors’ accounting systems and compliance with the Cost Standards. The interim FAR rule states that agencies may only use cost-reimbursement contracts when the contractor’s accounting system is adequate for determining costs.⁸ The rule also requires contracting officers to ensure that contractor accounting systems remain adequate during the entire period of performance for the contract and are able to timely develop accurate cost data.⁹ The adequacy of the contractors’ accounting systems affects the quality of the data the Government needs to perform effective oversight of contractor performance.

NASA Generally Complied with the Interim FAR Provisions Required by the Duncan Hunter Act but Improvements Are Needed

We found that NASA generally complied with the interim FAR provisions required by the Duncan Hunter Act by, in most cases, properly documenting during acquisition planning its rationale for using other than firm-fixed-price contracts; delegating a COTR prior to contract award; and validating the adequacy of contractor accounting systems. However, as described below, we found several instances of noncompliance among the 40 contract files we reviewed. See Enclosure 2 for a listing of noncompliance by NASA Center and Headquarters.

⁶ FAR 16.301-2(b).

⁷ Interim FAR rule 16.301-3(a)(4)(i).

⁸ Interim FAR rule 16.301-3(a)(3).

⁹ Federal Acquisition Regulation; Proper Use and Management of Cost Reimbursement Contracts, Federal Register, Vol. 76, No 51, March 16, 2011.

Incomplete Acquisition Plans. In most cases, we found the required acquisition planning documentation in the contract files we reviewed. However, 6 of the 40 files (15 percent) did not contain the required acquisition plans, procurement strategy meeting documentation, or the rationale for the contract type selected.

For three of the six contracts, we were able to locate documentation to support some of the elements required by the interim FAR rule. However, we were unable to find documentation to support consideration of technical, cost, and schedule risks associated with the contract type, resources required for the contract type, or a discussion of plans for moving to a firm-fixed-price contract in future procurements. An acquisition official explained that the acquisition planning process begins several months prior to contract award, and for two of these procurements, the acquisition strategy was approved prior to the effective date of the interim FAR rule. As a result, a single, written acquisition plan containing all of these elements was never developed for the two contracts, as the contracts were awarded shortly after the rule's March 16, 2011, effective date. Acquisition officials provided no explanation for elements missing from the third contract, which was awarded in July 2011.

Although the fourth contract file contained a written acquisition plan, this plan did not address all of the elements required by the interim FAR rule. Specifically, the plan did not include a discussion of technical, cost, and schedule risks or how the Agency planned to mitigate these risks. Nor did the plan include a discussion on transferring future contract requirements to a firm-fixed-price contract. NASA acquisition officials did not explain why these elements were missing from the acquisition plan or contract file.

For the remaining two contracts under \$10 million, the interim FAR rule requires a written rationale for using other than a firm-fixed-price contract.¹⁰ In both cases, we were unable to locate this documentation in the contract file. One acquisition official thought the memorandum documenting the rationale for selection of the cost-reimbursement contract had been prepared, but she was unable to locate the document. In the other case, an acquisition official indicated that the contract was a "bridge" contract and she believed the rationale was not required. In this case, a bridge contract was used to continue the performance and requirements on the existing procurement until the follow-on contract is awarded. To ensure continuity of services, the bridge contract uses the same contract type as the previous contract.

As noted above, we identified six instances where the Agency was not compliant with the acquisition planning requirements of the interim FAR rule. In two of these instances, the issues we identified are attributable to the close proximity of contract award to the effective date of the interim FAR rule. However, in the remaining four cases, acquisition officials did not award the contracts until several months after the interim FAR rule took effect, therefore it is unclear why these procurements did not comply with the rule.

¹⁰ FAR 16.103(d)(1).

Ultimately, contracting officers are responsible for ensuring compliance with the FAR throughout the procurement process and maintaining proper documentation in the contract files to support this compliance. This memorandum offers several recommendations to assist the Agency in achieving full compliance in future procurements.

No Evidence of COTR Delegation Prior to Contract Award. We found that in most cases NASA had identified COTRs for the contracts we reviewed prior to contract award. However, 6 of the 40 contract files (15 percent) did not contain evidence of COTR delegation prior to contract award, as required by the interim FAR rule.¹¹ When notified of the omission, Agency officials provided four of the missing COTR delegation letters. However, the documents were signed and dated by the contracting officers and COTRs near the time of our inquiries, indicating the COTRs were not delegated prior to contract award. In another case, while the COTR delegation letter was dated 2 weeks after the contract was awarded, it was not available at the time of our review and did not make it into the contract file until nearly 3 months later. Acquisition officials explained that the COTR was traveling and unable to return the executed document to the contracting officer in a timely manner. In the final case, acquisition officials located the delegation letter for a newly designated COTR, but could not produce a signed delegation letter for the COTR originally appointed at the time of contract award.

The NASA Office of Inspector General (OIG) has previously noted NASA's difficulty in timely appointing properly certified COTRs and has made recommendations for improvement in this area.¹² In response, the Agency agreed to issue a written policy reminder to all contracting officers to follow existing guidance on the appointment and removal of COTRs who fail to meet training, certification, and educational requirements to ensure they do not perform oversight on NASA contracts until these requirements are met. Without written delegation of a certified COTR prior to contract award, NASA runs the risk that proper oversight, technical guidance, and contract administration may not occur during the early stages of contractor performance.

Adequacy of Contractor's Accounting System Not Validated. As previously stated, the interim FAR rule requires contracting officers to ensure that contractor accounting systems are adequate prior to award and remain adequate during the entire period of contract performance. In most cases, we found that contracting officers validated the adequacy of contractor accounting systems as required by the interim FAR rule. However, in 5 of the 40 contracts reviewed (13 percent) we found no evidence of the required validation.

¹¹ FAR 16.301-3(a)(4)(i).

¹² "NASA's Management of Small Business Innovation Research and Small Business Technology Transfer Contracts Funded by the Recovery Act" (IG-12-009, February 2, 2012).

In one of the five cases, acquisition officials indicated that they contacted the Defense Contract Audit Agency (DCAA) by phone for verification of the adequacy of the contractor's accounting system. However, there was no documentation from DCAA in the contract file to support this assertion. Acquisition officials stated that because DCAA could not immediately perform the audits due to the organization's existing backlog, NASA acquisition officials decided they would request a formal audit prior to exercising any contract options. In another case, the contractor's accounting system was found to be adequate by a 2001 audit by DCAA; however, a 2009 audit report indicated the contractor's overall accounting, internal control, and billing systems were inadequate. A June 2011 interim report by DCAA indicated the inadequacies remained but it appeared the contractor's corrective actions were appropriate to address the deficiencies. However, the final report showing the updated status of the contractor's accounting system was not provided by the conclusion of our fieldwork. According to NASA acquisition officials, DCAA canceled the follow-up audit because the contractor had since implemented a new billing system; however, the adequacy of the new billing system had not been evaluated by the completion of this review. For the remaining three cases, NASA acquisition officials were unable to explain why documentation to support validation of the contractor accounting systems was not in the contract files.

Ultimately, assessing and validating a contractor's accounting system is the contracting officer's responsibility. Occasionally, a contracting officer may delegate the task to the Defense Contract Management Agency or DCAA, but that delegation does not relieve the contracting officer of responsibility for ensuring validation occurred and documenting the validation in the contract file. Contracting officers' failure to validate contractor accounting systems leaves NASA susceptible to the risk of relying on inaccurate or unreliable contractor data.

Recommendations, Management's Response, and Evaluation of Management's Response

In order to address the issues identified and ensure compliance with FAR provisions required by the Duncan Hunter Act, we made the following recommendations:

Recommendation 1. The Assistant Administrator for Procurement should issue a new Procurement Information Circular to all NASA acquisition personnel that identifies the expanded regulatory requirements on the proper use and management of other than firm-fixed-price contracts.

Management's Response. The Assistant Administrator partially concurred, stating that although he agrees acquisition personnel should be advised of the expanded regulatory requirements of the Duncan Hunter Act, he does not believe that a Procurement Information Circular is the most effective way to disseminate this information. Instead, he said he plans to advise the Procurement Officer at each Center of the expanded regulatory requirements within 60 days of issuance of the

final FAR rule incorporating the expanded requirements. (See Enclosure 3 for the Assistant Administrator's full response.)

Evaluation of Management's Response. We consider the Assistant Administrator's proposed corrective action to be responsive to the intent of our recommendation. Therefore, the recommendation is resolved and will be closed upon completion and verification of the action.

Recommendation 2. The Assistant Administrator for Procurement should review and update the NASA FAR Supplement to address inconsistencies between current Agency requirements for proper use and management of other than firm-fixed-price contracts and the expanded FAR requirements when finalized.

Management's Response. The Assistant Administrator concurred, stating that within 90 days of issuance of the final FAR rule the Agency will assess whether any inconsistencies exist between current NASA requirements for proper use and management of other than firm-fixed-price contracts and the expanded FAR requirements. Upon completion of this assessment, any necessary changes to the NASA FAR Supplement will be made.

Evaluation of Management's Response. Management's planned action is responsive to the recommendation. Therefore, the recommendation is resolved and will be closed upon completion and verification of the action.

Recommendation 3. The Assistant Administrator for Procurement should revise the current training curriculum offered to contracting officers, contract specialists, and other acquisition personnel to include the requirements of the interim FAR rule and ensure this training is available to all NASA staff responsible for awarding cost-reimbursement contracts at the NASA Centers and NASA Headquarters.

Management's Response. The Assistant Administrator concurred, stating that the Agency will add the additional requirements of the Duncan Hunter Act to the Office of Procurement cost/price analysis courses. NASA anticipates the updated course material will be available this fiscal year, for the 3-day basic cost/price analysis course and the 2-day advanced cost/price analysis course, both scheduled for April and July.

Evaluation of Management's Response. Management's planned action is responsive to the recommendation. Therefore, the recommendation is resolved and will be closed upon completion and verification of the action.

We appreciate the courtesies extended during our review. If you have any questions or need additional information, please contact Laura Nicolosi, Mission Support Director, Office of Audits, at 202-358-2562.

3 Enclosures

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NASA General Counsel

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Director, Johnson Space Center

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Gene Goldman
Acting Director, Marshall Space Flight Center

Scope and Methodology

We performed the review from October 2011 through February 2012 in accordance with the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Inspection and Evaluation. Those standards require that we present factual data accurately, fairly, and objectively and present findings, conclusions, and recommendations in a persuasive manner. We believe we have accurately, fairly, and objectively presented factual data and present our findings, conclusions, and recommendations in a persuasive manner.

Section 864 of the Duncan Hunter Act requires OIGs to review their agencies' use of cost-reimbursement contracts for compliance with the newly implemented FAR provisions required by the Act. The OIGs must also satisfy congressional reporting requirements that involve preparing and reporting the review results in their March 2012 Semiannual Report to Congress.

The scope of our review covered the parts of the FAR that were revised in response to the Duncan Hunter Act.¹³ Specifically, the team reviewed the following portions of the FAR for compliance with guidance promulgated under the Duncan Hunter Act for cost-reimbursement, time and materials, and labor hours contracts:

- 1.602-2(d)(e) and 7.104(e): written evidence the contracting officer has designated and authorized a contracting officer's representative (COR) on all contracts and orders that are other than firm-fixed-price. The contracting officer shall verify the COR or COTR is a Government employee, certified, and up to date on training requirements in accordance with the Office of Management and Budget guidance. Additionally, the contracting officer will ensure the COR or COTR has been delegated the appropriate responsibility and will identify any limitations on the authority of the COR/COTR.
- 7.103(d), (f) and (j): evidence that acquisition planners documented the files to support the selection of the contract type in accordance with the following paragraph from Subpart 16.1: the statement of work is closely aligned with the performance outcomes and cost estimates, and documented approval and signature from the appropriate acquisition official at least one level above the contracting officer.
- 7.105(b)(5)(iv): documentation of the strategy to transition from other than firm-fixed-price contracts to firm-fixed-price contracts.
- 16.103: additional documentation when other than a firm-fixed-price contract type is selected.

¹³ We did not review the technical amendments made to FAR Parts 2, 32, and 50 as a result of the interim FAR rule changes.

- 16.104: contracting officer's consideration of combining contract types if the entire contract cannot be firm-fixed-price.
- 16.301-2: circumstances in which to use cost-reimbursement, time and materials, and labor hours contracts, and the documented rationale for selecting an other than firm-fixed-price contract type.
- 16.301-3: when a cost-reimbursement contract may be used, documentation that the contracting officer considered all factors per FAR 16.104, and documentation that the contracting officer has ensured that adequate Government resources are available to award and manage other than firm-fixed-price contract awards.
- 42.302(a)(12): documentation that the contracting officer determined the continuing adequacy of the contractor's accounting system during the entire period of contract performance.

To accomplish the overall review objective, we selected all new cost-reimbursement, time and materials, and labor hours contracts with an individual contract value greater than \$1 million awarded between March 16 and September 30, 2011. We identified 39 contracts and 1 task order for review, with a combined value of approximately \$2.5 billion, out of approximately 382 contracts and task orders.¹⁴ The awarded contracts support multiple program offices across six NASA Centers and NASA Headquarters.

The contracts we reviewed had been awarded by NASA Headquarters, Ames Research Center, Glenn Research Center, Goddard Space Flight Center, Johnson Space Center, Langley Research Center, or Marshall Space Flight Center. Our review process included verification of documentation contained in the contract files and interviewing appropriate acquisition personnel at Headquarters and the NASA Centers.

Use of Computer-Processed Data. We used data from the Federal Procurement Data System (FPDS) to perform this review. We used FPDS to identify all cost-reimbursement contracts and task orders awarded by NASA between March 16 and September 30, 2011. We also used the data to determine the date the contract or task order was awarded. To a limited extent, we compared the data obtained through FPDS to documentation in NASA's contract files. We determined that the computer-processed data obtained from FPDS was sufficiently reliable for the purposes of our review.

Additional Criteria

In addition to the FAR references noted earlier, we reviewed NASA FAR Supplement Subpart 1807.1, "Acquisition Planning," which provides updated guidance to the Agency on acquisition plans.

¹⁴ We reviewed task orders over \$1 million whose base contract was awarded between March 16 and September 30, 2011.

We also reviewed the procurement policies specific to the following NASA Centers:

- Goddard Space Flight Center, Procurement Circular 01-03, Revision 2, “Procurement Strategy Meetings and Written Acquisition Plans,” September 23, 2011 (NASA Headquarters’ procurements are managed by Goddard Space Flight Center, so this circular would also apply to contracts awarded by Headquarters).
- Langley Research Center, “Prepare Pre-solicitation Document Policy,” Revision Q, October 28, 2010.
- Glenn Research Center, “Work Instruction, Acquisition Planning and Procurement Strategy Meetings,” GLWI-CH-5107.1, May 2007.

Review of Internal Controls

We reviewed internal controls related to compliance with the interim FAR rule, including FAR Parts 1, 7, 16, and 42; the Duncan Hunter Act; and the NASA FAR Supplement. Generally, we concluded that the internal controls related to compliance with the above requirements were adequate; however, some improvements are necessary, as discussed in this memorandum.

Prior Coverage

During the last 5 years, the NASA Office of Inspector General has not issued any reports related to NASA’s compliance with the requirements of the Duncan Hunter Act. The Government Accountability Office (GAO) issued one report related to the subject of this report. Unrestricted reports can be accessed at <http://www.gao.gov>.

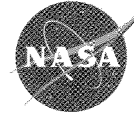
“Contract Management: Extent of Federal Spending under Cost-Reimbursement Contracts Unclear and Key Controls Not Always Used” (GAO-09-921, September 30, 2009)

Issues of Noncompliance by Location

Location	Duncan Hunter Requirement Area								
	Acquisition Planning	COTR Delegation	Contractor Accounting System Validation						
Headquarters	1	2	1						
ARC	1	0	1						
GRC	0	1	1						
GSFC	2	2	1						
JSC	2	0	0						
LaRC	0	1	0						
MSFC	0	0	1						
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GSFC Goddard Space Flight Center	MSFC Marshall Space Flight Center								

Management's Comments

National Aeronautics and
Space Administration
Headquarters
Washington, DC 20546-0001



Reply to Attn of: **Office of Procurement**

TO: Assistant Inspector General for Audits
FROM: Assistant Administrator for Procurement
SUBJECT: Response to OIG Draft, "NASA's Compliance with Provisions of the Duncan Hunter National Defense Authorization Act of 2009 - Management of Cost-Reimbursement Contracts" (Assignment No. A-12-001-00)

The Office of Procurement appreciates the opportunity to review your draft memorandum entitled "NASA's Compliance with Provisions of the Duncan Hunter National Defense Authorization Act of 2009 (Duncan Hunter Act) - Management of Cost-Reimbursement Contracts" (Assignment No. A-12-001-00).

In the draft memorandum, the Office of the Inspector General (OIG) outlines several findings and communicates three recommendations to the Assistant Administrator for Procurement.

NASA is pleased that the OIG finds the Agency generally complied with the Duncan Hunter Act that related to management of cost-reimbursement contracts. Additionally, NASA agrees with the overall findings of issues related to inadequate acquisition planning documents, Contracting Officer Technical Representative (COTR) delegation and monitoring the adequacy of contractor's accounting systems. However, NASA would like to point out that several of the issues identified are attributable to timing of actions taken and their close proximity to the effective date of the interim Federal Acquisition Regulation (FAR) rule. For example, one of the audited Johnson Space Center contracts, wherein the OIG draft report noted an acquisition planning deficiency, was awarded on March 28, 2011, with an acquisition plan approved in September 2010. Since the FAR provisions implementing the Duncan Hunter Act were effective March 16, 2011, and applied only to new solicitations issued after that date, it would not have been practical to include the provisions retroactively since the bulk of acquisition planning had already been complete. Additionally, the Duncan Hunter Act would not retroactively apply to the contents of an acquisition plan approved six months prior to the date of the Act.

NASA's response to the recommendations, including planned corrective actions, follows:

Recommendation 1: Issue a new Procurement Information Circular to all NASA acquisition personnel that identifies the expanded regulatory requirements on the proper use and management of other than firm-fixed-price contracts.

Management's Response: NASA partially concurs with the recommendation. NASA believes that acquisition personnel need to be advised of the expanded regulatory requirements of the Duncan Hunter Act. However, we do not believe that a Procurement Information Circular is the most effective way to disseminate this information. Accordingly, upon issuance of the Final rule, we will provide a communication to the Procurement Officers at each Center advising of the expanded regulatory requirements. We anticipate completing this action within 60 days of issuance of the Final rule.


Recommendation 2: Review and update the NASA FAR Supplement to address inconsistencies between current Agency requirements for proper use and management of other than firm-fixed-price contracts and the expanded FAR requirements when finalized.

Management's Response: NASA concurs with the recommendation. Within 90 days of issuance of the Final rule, we will assess whether any inconsistencies exist between current NASA requirements for proper use and management of other than firm-fixed-price contracts and the expanded FAR requirements. Upon completion of this assessment, and if required, a change to the NASA FAR Supplement will be processed.

Recommendation 3: Revise the current training curriculum offered to contracting officers, contract specialists, and other acquisition personnel to include the requirements of the interim FAR rule and ensure this training is available to all NASA staff responsible for awarding cost-reimbursement contracts at the NASA Centers and NASA Headquarters.

Management's Response: NASA concurs with this recommendation. We will add the additional requirements of the Duncan Hunter Act to the Office of Procurement cost/price analysis classes. We anticipate delivery of the course material this fiscal year. Currently, the three-day basic cost/price analysis course is scheduled to be delivered twice in the upcoming year (2 April – 4 April 2012 as well as 9 July – 11 July 2012). The two-day advanced cost/price analysis course is scheduled to be delivered twice in the upcoming year as well (5 April – 6 April 2012 and 12 July – 13 July 2012).

Thank you for the opportunity to review and comment on the subject draft memorandum. If you have further questions or require additional information, please contact Andrew O'Rourke at 202-358-4560.


William McNally