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House Committee on Science, Space, and Technology**

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Stimulus Oversight: An Update on Science Funding Accountability and Transparency

Statement of

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Mr. Chairman and Members of the Subcommittee:

Thank you for inviting the NASA Office of Inspector General (OIG) to discuss our oversight work of the Agency’s use of American Recovery and Reinvestment Act of 2009 (Recovery Act) funds.

NASA received a total of \$1.052 billion in Recovery Act funding – \$1 billion in a direct appropriation and an additional \$52 million from the National Oceanic and Atmospheric Administration (NOAA), the National Science Foundation (NSF), and the Department of Energy (DOE) for jointly funded programs. NASA used its Recovery Act funding primarily to augment ongoing research and development activities in several program areas including Science (with an emphasis on Earth Science and Astrophysics), Exploration, and Aeronautics Research. In addition, NASA used Recovery Act funds to repair and restore buildings at Johnson Space Center that were damaged by Hurricane Ike in 2008.

NASA’s Recovery Act spending plan is summarized below.

PROGRAM AREA	RECOVERY ACT FUNDING	DESCRIPTION
Science	\$400 million	Accelerate development of Tier 1 Earth Science climate research and increase Agency supercomputing capabilities (\$75 million for the James Webb Space Telescope, \$20 million for supercomputing projects, and more than \$300 million for Earth Science missions).
Exploration	\$400 million	Stimulate efforts within the private sector to develop and demonstrate technologies that enable commercial human spaceflight capabilities (more than \$90 million for commercial crew and cargo projects, \$166 million for the Multi-Purpose Crew Vehicle, and \$25 million for the Mobile Launcher).
Aeronautics	\$150 million	Undertake activities related to aviation safety, environmental impact mitigation, and Next Generation Air Transportation System (more than \$57 million for fundamental Aeronautics projects including integrated aeronautical vehicle system level research in areas that have applicability to future aeronautical vehicle concepts, more than \$30 million for Next Gen, and \$46 million for test facilities such as wind tunnels).
Cross Agency Support	\$50 million	Repair hurricane damage at the Johnson Space Center
Reimbursable Authority	\$52 million	Recovery Act funds received from DOE, NSF, and NOAA to jointly funded projects. For example, NOAA provided Recovery Act funding to NASA for the development of two sensors that play a critical role in assessing climate change data as part of the National Polar-orbiting Operational Environmental Satellite System (NPOESS) Program.
Total	\$1.052 billion	

As of October 28, 2011, NASA has spent more than \$1.01 billion (96 percent) of its Recovery Act funds. Further, NASA contractors and other award recipients have completed work totaling an additional \$17.6 million that NASA will pay for with Recovery Act Funds. In total, NASA has disbursed or obligated approximately 98 percent of its Recovery Act funds and expects to disburse the remaining funds by 2013.

The Recovery Act requires a significant level of transparency and accountability to ensure that Recovery Act funds are expended in accordance with the Act's requirements and to make information about these expenditures readily available to the public. The Act also requires Offices of Inspector General to oversee agency compliance with the Office of Management and Budget's (OMB) Implementing Guidance for the Act, which sets forth the requirements agencies must follow in awarding and modifying contracts funded with Recovery Act funds.¹

NASA OIG received \$2 million to conduct oversight of NASA's use of its Recovery Act funds. As of November 30, 2011, the OIG has spent about \$1.3 million of these funds, leaving approximately \$700,000 for oversight work in fiscal years 2012 and 2013. In addition, we have used approximately \$350,000 in regular appropriations to further our Recovery Act work.

NASA's Use of Recovery Act Funds

Generally, we have found that NASA used Recovery Act funds in accordance with the requirements and goals of the Act and the implementing guidance issued by OMB. Early in the program, NASA performed risk assessments to identify potential problems in meeting Recovery Act requirements. Based on these risk assessments, the Agency established new internal controls to help ensure that money was spent appropriately, funded tasks remained on target, and recipients were held accountable for managing and reporting on their use of the funds. For example, all Recovery Act funded contracts and contract modifications were closely reviewed and modified as needed prior to award to ensure compliance, and quarterly Recovery Act reports were identified as a required deliverable in all contracts. In addition, NASA officials closely monitored the reports submitted by Recovery Act contractors to confirm accuracy and compliance with deadlines imposed by the Recovery Board.

The majority of NASA's Recovery funds were allocated to existing projects such as the James Webb Space Telescope (JWST), which received \$75 million; the Multi-Purpose Crew Vehicle (previously known as Orion), which received \$166 million; and the Ares I rocket, which received \$103 million. NASA also competitively awarded \$24.4 million in Small Business Innovative Research (SBIR) contracts and \$36 million of the \$50 million in contracts to repair hurricane damage at Johnson Space Center.

As part of our oversight work, the OIG has issued seven Recovery Act audit products and has five more audits in progress. Our audit work has included reviews of NASA's use of Recovery Act funds in terms of both the administrative management and the financial and programmatic performance related to the funds. We have identified more than \$2 million in monetary findings related to excessive project oversight and questionable risk costs. We also reported instances of

¹ Office of Management and Budget, "Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009" (M-09-15, April 3, 2009).

non-compliance indicative of internal controls weaknesses, such as unauthorized persons recommending invoices for payment, poor negotiation of project oversight costs, and incomplete contract files. We made eight recommendations to improve NASA's internal controls over Recovery Act contracts. The Agency agreed with our recommendations. Five of the recommendations have been implemented and we are awaiting completion of corrective action on the remaining three.

In addition to our audit work, we have eight open investigations involving Recovery Act funding. One of the investigations is a proactive effort involving Small Business Innovative Research/Small Business Technology Transfer contracts; two involve allegations of companies submitting false information to the Government through the On-line Representations and Certifications Applications (ORCA) system, and one involves a possible conflict of interest and misappropriation of funds by a former NASA employee. We also have active investigations involving procurement irregularities and a case in which an individual has been indicted for theft of copper from a project funded with Recovery Act money. In addition to these ongoing matters, we recently closed two cases of Recovery Act-related allegations as unsubstantiated and referred two additional issues to NASA managers for their disposition.

Two of the matters we investigated resulted from referrals from the Recovery Accountability and Transparency Board. The first referral involved issues with a contractor providing the wrong identification code or Data Universal Numbering System (DUNS) number and the second involved ORCA process concerns. We referred the DUNS issue to NASA and we continue to investigate the ORCA issue.

We summarize our completed and ongoing Recovery Act audit products below.

NASA's Use of Recovery Act Funding for the James Webb Space Telescope Project. In March 2011, the OIG issued a report examining NASA's use of \$75 million in Recovery Act funds for the James Webb Space Telescope (JWST) Project. In this review, we assessed NASA's compliance with Recovery Act mandates and adherence to OMB guidelines. The overall objective of our review was to determine whether NASA used Recovery Act funds appropriately and whether this use met the Act's goals and requirements.

JWST used the \$75 million it received in 2009 to maintain the Project's workforce at a consistent level and help keep key development activities on track. We found that the JWST Project adequately addressed the requirements of the Recovery Act and related OMB guidance and delivered measureable outcomes consistent with Agency program and project plans and the goals of the Act. Specifically, we found that the \$75 million enabled 454 jobs to be retained on the JWST Project in the fourth quarter of FY 2009 and 149 jobs in the first quarter of FY 2010. In addition, of the 40 tasks funded by the Recovery Act, 34 were completed on schedule. According to program officials, NASA had made significant progress on the other 6 tasks, which were subsequently completed using non-Recovery Act funding. Based on our review of the final performance reports from the contractors and discussions with NASA officials, we concluded that the performance results on the JWST Recovery Act activities fulfilled the intent of the Recovery Act.

NASA's Use of Recovery Act Funds to Repair Hurricane Damage to Johnson Space Center Facilities. In September 2011, the OIG issued an audit examining the \$50 million allocated to Johnson Space Center (JSC) for repair of facilities damaged in September 2008 by Hurricane Ike. The objective of our audit was to assess cost, schedule, and performance of the contracts, as well as compliance with applicable OMB and NASA guidance. To accomplish our objective, we reviewed the performance of nine of the largest contractors hired by JSC to perform the Recovery Act-funded work: one quality assurance contractor; seven construction contractors that directly performed repair work; and JSC's existing facilities support services contractor, Computer Sciences Corporation Applied Technology Division (CSC). In total, we reviewed \$41 million of the \$50 million in Recovery Act contracts awarded by JSC.

In general, we found that the work performed by the nine contractors in our review met cost, schedule, and performance milestones, and that JSC's use of Recovery Act funds for these contracts generally complied with OMB and NASA guidance. However, we identified a number of issues pertaining to delivery orders JSC awarded to CSC. Specifically, we found that by awarding delivery orders for repair work to CSC rather than to a contractor that had the resources to perform the work directly, JSC incurred up to \$1.8 million in excessive project oversight costs. In addition, we found that JSC did not negotiate with CSC on project oversight costs that significantly exceeded independent Government estimates or otherwise appeared excessive. We also found that JSC project management officials approved the payment of \$348,534 in questionable risk-related costs to CSC. Further, we questioned the methodology CSC used to calculate these costs and whether they were reasonable under the Federal Acquisition Regulation (FAR). Lastly, we found that JSC officials allowed unauthorized individuals to recommend payment of CSC invoices. We recommended that NASA's Recovery Act Implementation Executive work with the Agency's Assistant Administrator for Procurement to

- provide updated guidance on evaluating proposals for excessive pass-through costs in accordance with the FAR;
- ensure that contracting officers verify contractor-proposed charges for individual cost elements against appropriate supporting documentation, evaluate rates proposed by the contractor to ensure their reasonableness, and document this determination in the contract files; and
- remind contracting officers that for contracts where a COTR has been appointed, only the COTR is authorized to recommend invoices for payment.

NASA's Chief Financial Officer concurred with our recommendations, stating that the Recovery Act Executive will work with NASA's Assistant Administrator for Procurement to improve existing processes.

Review of NASA's Efforts to Meet the Intent of the National Academy of Sciences 2007 Decadal Survey. NASA allocated \$85.4 million in Recovery Act funds to three Earth Science missions identified in the National Research Council's 2007 Decadal Survey for Earth Science: the Soil Moisture Active Passive (SMAP) mission; the Ice Cloud and land Elevation Satellite (ICESat) mission; and the Deformation, Ecosystem Structure, and Dynamics of Ice (DESDynI) mission. In May 2011, the OIG issued a review of NASA's efforts to meet the intent of the

Decadal Survey. As part of this review we examined whether NASA used the Recovery Act funds dedicated to the decadal survey projects in compliance with OMB guidelines.

We found that NASA used Recovery Act funds to accelerate work on the projects in accordance with established criteria. Specifically, we found that NASA appropriately allocated the funds to advance early implementation of the establishment of preliminary designs for key elements of the SMAP mission; develop a laser altimeter for the ICESat mission; and develop an advance radar instrument development for the DESDynI mission. In addition, we found that the tasks that received Recovery Act funds were properly segregated from other project deliverables to ensure compliance with Recovery Act funding transparency requirements.

NASA's Plans for Recovery Act Funds. In compliance with the Recovery Act mandates and with OMB Guidance, in May 2009 NASA issued both an Agency Recovery Act Plan and program-specific plans describing how NASA intended to use its \$1 billion in Recovery Act funding. As part of our oversight, we reviewed these plans and in January 2010 issued two memoranda describing the results of our review. Overall, we found that the plans generally complied with the OMB guidance. However, we identified several areas for improvement, specifically that the Agency Plan provided insufficient detail about NASA's broad Recovery Act goals in terms of outputs, outcomes, and expected efficiencies; did not include a projection of the expected rate of competition nor a rationale for those numbers; and did not address the use of fixed-price contracts as a percentage of all dollars spent. With respect to the five program plans, we found that none of the plans included a description of periodic reviews of planned Recovery Act-related activities and one did not address all the required elements. Based on additional information the Agency subsequently provided, we concluded that each of the plans adequately addressed the requirements of the OMB Guidance.

Review of Open Recommendations Affecting Recovery Act Activities. OMB Guidance states that agencies should develop a risk mitigation plan to identify, prioritize, and mitigate implementation risks associated with use of Recovery Act funds. As part of this plan, agencies should determine whether final action has been taken regarding weaknesses or deficiencies disclosed by prior audits and investigations in program areas under which Recovery Act funds are authorized. To ensure NASA properly considered previously identified weaknesses and deficiencies in the programs receiving Recovery Act funds, we reviewed all open recommendations from prior OIG audit reports, the Government Accountability Office (GAO), and independent auditors to identify recommendations that could potentially affect NASA's Recovery Act activities.

In May 2010, we issued a memorandum discussing the status of 13 open audit recommendations that could potentially affect programs and projects receiving Recovery Act funds. We found that NASA had taken steps to implement corrective actions for a majority of the recommendations. Specifically, the Agency had fully implemented corrective actions in response to 6 of the 13 open recommendations and was awaiting verification and closure by the appropriate audit agency. As of April 2010, corrective actions for another 3 recommendations were partially complete, and NASA officials reported they expected to complete the remaining actions by September 2010. For the remaining 4 recommendations, NASA officials were still determining whether corrective actions needed to be implemented. We recommended that NASA make a

decision regarding these 4 recommendations quickly to ensure that any identified weaknesses did not affect the use of Recovery Act funds.

Audit of NASA’s Recovery Act Procurement Actions at Johnson Space Center, Goddard Space Flight Center, and Ames Research Center. In July 2010, the OIG issued a report on its examination of Recovery Act-funded procurements made by NASA between February 17, 2009, when the Recovery Act was enacted, and November 30, 2009. For the purpose of this audit, we reviewed contracts, cooperative agreements, and contract modifications to determine NASA’s compliance with Recovery Act requirements and with NASA and OMB guidance. In total, we reviewed 28 procurement actions using \$432 million in Recovery Act funds. We found that all 28 procurements complied with the OMB Guidance, but that 3 did not fully comply with NASA guidance. Specifically, we found that the contract modification files for the Orion Project at Johnson Space Center and the Landsat Data Continuity Mission at Goddard Space Flight Center did not contain all of the supporting documentation necessary to demonstrate that negotiations had taken place between NASA and the respective contractors as required by NASA guidance and that Ames Research Center procurement staff had not required a contractor to submit an updated schedule of Recovery Act task milestones.

In addition to the completed audit work described above, the OIG is currently working on the projects summarized below.

Audit of Recovery Act Funded Contracts under NASA’s Small Business Innovation Research (SBIR) Program and Small Business Technology Transfer (STTR) Program – NASA allocated \$24.4 million in Recovery Act funds to SBIR/STTR contracts. The OIG is examining whether the contractors met cost, schedule, and performance milestones and whether NASA’s Recovery Act internal controls were properly implemented and operating effectively.

Audit of Aerospace Research Mission Directorate’s Use of NASA Research Announcements – NASA allocated approximately \$34 million in Recovery Act funds for NASA Research Announcements (NRA). NASA’s program offices use NRAs to award contracts, grants, or agreements for basic and applied science and technology research and for science, technology, engineering, and mathematics (STEM) education. In this audit we are examining whether technical results, including results of awards funded by the Recovery Act, advanced NASA’s aeronautics research goals and whether award costs were allowable and properly supported.

Audit of NASA’s Development of the Multi-Purpose Crew Vehicle – Announced in October 2011, this audit will evaluate how NASA is managing the spacecraft’s development in response to the NASA Authorization Act of 2010 (P.L. 111-267) and subsequent changes in national space exploration policy. We will also examine whether NASA has properly tracked the nearly \$166 million in Recovery Act funds used in development of the vehicle.

Audit of NASA’s Plans for the Mobile Launcher – Announced in early November 2011, this audit will examine whether NASA sufficiently evaluated possible alternatives to ensure that modifying the mobile launcher in support of the Space Launch System is in the best interest of the Government. We will also examine whether NASA has properly accounted for the \$25 million in Recovery Act funds spent on the mobile launcher.

Conclusion

In summary, the majority of NASA's Recovery Act funds were allocated to ongoing rather than new projects. The Agency took proactive steps early in the Recovery Act process to help ensure compliance with the Act's requirements and as a result NASA has been generally successful in ensuring that its Recovery Act funds were used in accordance with the requirements and goals of the Act and OMB's implementing guidance. As NASA's Recovery Act efforts wind down, the OIG will continue our comprehensive program of audits, reviews, and investigations to ensure NASA's continued compliance with Recovery Act mandates and NASA guidance.

This concludes my prepared statement. I would be pleased to answer any questions.

**NASA Office of Inspector General
Issued Recovery Act Products**

	Title	Report Number	Date Issued
1.	Final Memorandum on Analysis of NASA's Final Program-Specific Recovery Act Plans	IG-10-005	January 2010
2.	Final Memorandum on Analysis of NASA's Final Agency-Wide Recovery Act Plan	IG-10-006	January 2010
3.	Final Memorandum on Review of Open Audit Recommendations Affecting Recovery Act Activities	IG-10-014	May 2010
4.	Audit of NASA's Recovery Act Procurement Actions at Johnson Space Center, Goddard Space Flight Center, Langley Research Center, and Ames Research Center	IG-10-017	July 2010
5.	Final Memorandum on the Quality Control Review of the PricewaterhouseCoopers LLP and the Defense Contract Audit Agency Office of Management and Budget Circular A-133 Audit of the Jet Propulsion Laboratory for the Fiscal Year Ended September 27, 2009	IG-11-011	January 2011
6.	NASA's Use of Recovery Act Funds for the James Webb Space Telescope Project	IG-11-014	March 2011
7.	NASA's Use of Recovery Act Funds to Repair Hurricane Damage at Johnson Space Center	IG-11-025	September 2011