



July 27, 2009

TO: Chief, Safety and Mission Assurance
Associate Administrator for Space Operations
Director, Johnson Space Center

FROM: Acting Assistant Inspector General for Auditing

SUBJECT: Opportunities to Improve the Management of the Space Flight Awareness Honoree Launch Conference Event (Report No. IG-09-017, Assignment No. S-08-008-00)

The Office of Inspector General (OIG) conducted a review of NASA's Space Flight Awareness Honoree Launch Conference Event (SFA Conference), which is NASA's most prestigious means of recognizing and honoring employees and contractors receiving awards for their contributions to astronaut safety and mission success. We initiated the review in December 2007 to assess NASA's plans to host the awards event for approximately 300 honorees and their guests. NASA hosted the SFA Conference event December 3 through December 7, 2007, at the Grand Cypress Resort¹ in Orlando, Florida. The SFA Conference included lodging at the luxury resort hotel, formal receptions, and the opportunity to view the launch of the Space Shuttle Atlantis planned for December 6, all at an expected cost to NASA of between \$400,000 and \$500,000. Our objective was to determine whether the December 2007 SFA Conference complied with Federal regulations and NASA policies and procedures. (See Enclosure 1 for details on the review's scope and methodology.)

On October 15, 2008, the President signed the National Aeronautics and Space Administration Authorization Act of 2008 (H.R. 6063), authorizing appropriations for NASA programs and projects for fiscal year (FY) 2009 and eliminating funding for the SFA Conference in FY 2009. Specifically, section 1121, "Limitation on Funding for Conferences," states, "No funds authorized under this Act may be used to support a Space Flight Awareness Launch Honoree Event conference. The total amount of the funds available under this Act for other Space Flight Awareness Honoree-related

¹ Through an agreement with the Grand Cypress Resort, SFA awardees paid Government per diem rates for their accommodations at the resort. The hotel's Web site identifies the property as a luxury resort offering on-site amenities such as multiple golf courses, water sports, tennis and racquetball courts, and spa services.

activities² in fiscal year 2009 may not exceed 1/2 of the total amount of funds from all sources obligated or expended on such activities in fiscal year 2008.”

Executive Summary

We found that NASA generally followed Federal regulations and Program policies and procedures for planning and conducting the awards event. Specifically, NASA’s process for selecting honorees was performed in accordance with policies and criteria provided in its SFA Policy Document. We also found that NASA’s use of appropriated funds to award, transport, and provide meals and refreshments to honorees was generally in accordance with Federal regulations and NASA policies.

Although H.R. 6063 prohibits NASA from funding SFA Conference events during FY 2009, we found that the Agency could improve the management of these events, should they be held in future years. Specifically, while the objective of providing awards to employees and contractors for their contributions to shuttle safety and mission success is sound in principle, the circumstances of this event bring into question what expense is reasonably necessary to accomplish that objective. In the case of the December 2007 conference event, 232 honorees received a 7-day, 6-night trip to Orlando in December at a cost to NASA of \$542,307. In addition, 41 Kennedy honorees who participated in the 7-day Orlando event received a separate 3-day, 2-night trip to Johnson Space Center (Johnson) at a cost of \$43,431. However, these amounts do not represent the full cost to NASA for the event because they do not include labor (salary and benefits) costs³ for NASA and contractor employees who participated. We estimate that salaries and benefits for the honorees represent an additional \$424,265, bringing the total cost of the awards event to \$1,010,003.

NASA may have unnecessarily increased the cost of the awards event beyond what was reasonably necessary in part because program managers added activities and extended the event, initially planned to be a 4-day, 3-night program, to 7 days and 6 nights. Specifically, program managers made the following changes to the original agenda:

- Extended the event from 4 days and 3 nights to 5 days and 4 nights by adding an additional day for a breakfast awards ceremony to recognize 149 of the 273 honorees.⁴ The breakfast awards ceremony increased the conference costs by \$69,161. Program managers added the breakfast awards ceremony because some of the management officials and astronauts presenting awards to the 149 honorees could not attend the previous evening’s ceremony. No other

² Space Flight Awareness activities include motivational visits from astronauts; the development, display, and distribution of motivational tools; and ongoing recognition through offering six different SFA awards.

³ To estimate labor costs, we obtained the average hourly rate for NASA civilian service or Aerospace contractor employees (from the U.S. Department of Labor, Bureau of Labor Statistics, Web site) and added fringe benefits of 35 percent.

⁴ SFA Program officials stated that the other 124 of 273 honorees attended a 1.5 hour briefing that day.

activities were scheduled for the additional day, so the 273 honorees received 6.5 hours of free time. We estimate that the cost, in salaries and benefits, for this free time was \$62,807.

- Extended the event from a 5-day, 4-night event to a 7-day, 6-night event by adding 2 days at a cost of \$52,798 because NASA postponed the launch of the Space Shuttle Atlantis due to technical issues. However, honorees still were unable to view the launch as part of the event because additional delays pushed the launch beyond the 2-day extension.

In addition, when the 3-day, 2-night trip to Johnson in January 2008 is included, the total awards event comprised 10 days and 8 nights. NASA incurred \$43,431 in expenses to provide the 41 Kennedy honorees with the trip to Johnson and an additional estimated \$37,759 in labor costs for those 3 days. The expenses for the Johnson trip may have unnecessarily increased the cost of the event because NASA had already incurred costs for the Kennedy honorees who chose to attend the December 2007 ceremonies at the Orlando resort and Kennedy Space Center.

Although currently prohibited from holding this award event, the Agency should address the question of what is a reasonably necessary expense before holding any such events in the future. We recognize that there is a paucity of Federal guidance in the Comptroller General opinions as to what is reasonably necessary under these circumstances. However, events such as this one, which ultimately cost NASA more than \$1 million, can appear to be unreasonably costly. Perhaps an awards event the evening before a scheduled launch, with attendance at the launch as part of the package, is reasonable. However, beyond that, the Agency can be appropriately criticized for failure to conserve its appropriated dollars.

In our April 20, 2009, draft of this memorandum, we recommended that prior to conducting future SFA Conference events, the Associate Administrator for Space Operations should determine what expenses are reasonably necessary to achieve the objective of the events and then revise the SFA Policy document to establish criteria for program managers to use in planning these events. The criteria should address fiscal and appearance issues and include requirements for selecting locations, establishing agendas, choosing activities, and documenting that the cost of employee salaries and benefits has been considered.

In commenting on the draft of this memorandum, the Associate Administrator for Space Operations concurred with our recommendation to establish criteria for planning future events. Therefore, we consider the recommendation resolved. The Associate Administrator also identified several issues in the draft needing clarification. (See Enclosure 4 for the full text of management's comments.) We have revised this final memorandum to address management's comments and cross-referenced those revisions in Enclosure 4.

Background

Space Flight Awareness Program. The SFA Program is a NASA-managed motivation program with invited representation from the Office of Space Flight Field Centers, other NASA Field Centers, and contractors having major responsibilities for the success of NASA's human space flight missions. NASA Procedural Requirements (NPR) 8715.3C, Chapter 1, section 1.11, "Safety Motivation and Awards Program," requires the Associate Administrator for Space Operations Mission Directorate to manage a space flight awareness motivation and recognition program to promote safety, quality, and mission success within NASA and the supporting NASA contractor/partner workforce.

According to its mission statement, the purpose of the SFA Program is to "ensure that each and every employee involved in human space flight is aware of the importance of their role in promoting astronaut safety and mission success in . . . flying humans in the hostile environment of space . . ." To achieve that mission, the SFA Program conducts Awareness, Education Outreach, and Recognition Programs. As part of the Recognition Program, the SFA holds awards events in conjunction with most Space Shuttle launches.

During these events, NASA presents the "SFA Honoree Award" to approximately 250 NASA civil service and contractor employees. To earn the award, the employee's job must be directly or indirectly associated with flight safety or mission success. The honoree selection criteria notes that honorees must have significantly contributed to the development and implementation of human space flight programs while ensuring quality and safety, performed a specific achievement that contributed toward attaining a program goal, contributed to one or more major cost-saving/cost-avoidance efforts, or been instrumental in developing improvements that increase reliability, efficiency, or performance.

In addition to an award certificate and other honoree mementos, honorees receive a trip to Kennedy Space Center (Kennedy); for those honorees who work at Kennedy, NASA also awards them a trip to Johnson Space Center (Johnson). At the Kennedy event, honorees have an opportunity to view a Space Shuttle launch, attend a reception in their honor, and meet with high-level NASA and industry officials as well as members of the Astronaut Corps. At the Johnson event, Kennedy honorees have the opportunity to receive a tour of the Center and meet senior management and members of the Astronaut Corps.

Program Management. The Associate Administrator for Space Operations manages the SFA Program. In addition, NASA's Chief, Safety and Mission Assurance and Director, Johnson Space Center provide leadership and support for the event. The Director of the Space Operations Mission Directorate's Mission Support and Communications Office serves as the SFA Program Manager and is responsible for establishing SFA Program policy and chairing the SFA National Panel. The SFA National Panel comprises 15 representatives from NASA Centers and major contractors. The SFA Program Manager and National Panel provide the planning, preparation, coordination, budgeting, and implementation of SFA Conference events.

Funding. SFA awards events are funded with Space Shuttle Program Mission Directorate Support funds. Incidental costs NASA incurs for each SFA event, such as costs for audiovisual services, catering, mementos (such as models of the Space Shuttle, pins, posters, etc.), per diem, and transportation are funded by NASA: a budget of \$1.63 million was provided in FY 2008 for these costs and costs for SFA activities associated with its awareness, education outreach, and recognition programs. Initially, each NASA organization and contractor that nominates an honoree is responsible for funding the honoree's expenses for per diem and transportation for the event. For audiovisual and catering services, hotels allocate and bill the expenses to NASA and the contractors based on their respective number of honorees. Since NASA encourages contractor participation in the SFA program, contractors receive reimbursement for these costs and the costs of transportation and per diem expenses for their honorees as well as any additional SFA Conference event costs considered allowable under Part 31 of the Federal Acquisition Regulation.

Awards Program Criteria

Federal Statutes and Regulations. Criteria governing federally funded awards events are provided in United States Code (USC), the Code of Federal Regulations (C.F.R.) including Federal Travel Regulation (FTR), and in the Government Accountability Office's (GAO) *Principles of Federal Appropriations Law*, Third Edition, Volume I, January 2004 (the Red Book).

The Government Employees' Incentive Awards Act, 5 USC §§ 4501–4506, authorizes Federal agencies to expend appropriations to provide for awards ceremonies. Specifically, the Act permits agencies to “incur [the] necessary expense for the honorary recognition of, an employee” or employees receiving the award. The Act also provides for the Office of Personnel Management to prescribe regulations and instructions (in 5 C.F.R Part 451) to guide the planning and conduct of awards programs, but the current regulations do not set specific limits on costs agencies can incur for awards ceremonies. The Red Book generally supports agencies use of appropriated funds to award, transport, and provide meals and refreshments to employees at awards ceremonies.⁵ The Necessary Expense Doctrine, which was developed through GAO decisions, provides agencies the discretion to determine which expenditures are reasonably necessary to accomplish the purpose of the events.

The FTR implements statutory requirements and Executive branch policies for travel by Federal civilian employees and others authorized to travel at Government expense. Chapter 301, subchapter B, “Allowable Travel Expenses,” provides guidelines for charging travel expenses, such as transportation, lodging, per diem, and other miscellaneous expenses.

⁵ GAO's Red Book discusses Federal agencies' expenditures for non-monetary awards and transportation to award ceremonies in chapter 4, section C.8.c, and expenditures for meals and refreshments at awards ceremonies in chapter 4, section C.5.b.(3).

NASA Policies and Procedures. The Agency has established policies and procedures governing SFA awards events and requirements in NASA guidance including the following:

- “Planning Agency-Sponsored Events,” a memorandum issued by the NASA Administrator on November 16, 2005, provides the most recent Agency policy statement as well as guidance on accounting for the fiscal, travel, ethical, and appearance issues NASA employees should consider when planning NASA-sponsored events, including awards ceremonies. The memorandum includes requirements for funding events, selecting locations, and providing food, refreshments, and entertainment.
- The SFA Policy Document, November 1, 2001, establishes the roles and responsibilities for the SFA Program Manager and National Panel, defines SFA Program elements, implementation processes, policy, and requirements and also defines the scope, eligibility, nomination, and selection processes for the various SFA Program awards and events. Specifically, it contains guidelines that define the SFA Honoree Award, the maximum number of participants, employee eligibility for the award, the nomination process, selection criteria, and the presentation of awards.
- NASA Procedural Document (NPD) 1400.1, “Documentation and Promulgation of Internal NASA Requirements,” March 3, 2005, contains policies and procedures for establishing, documenting, and promulgating NASA internal requirements, such as those within the SFA Policy Document noted above. It notes that internal NASA requirements documents should be controlled by a documented process that is current and includes approvals and requirements that are verifiable.

NASA Generally Followed Awards Event Planning Policies and Procedures

We found that NASA nominated and selected honorees for the December 2007 awards event in accordance with SFA Policy and criteria. We reviewed 60 of 273 honorees’ nomination forms against criteria in the SFA Policy Document, which requires each nominated honoree to have satisfied at least one of the following criteria:

- Significantly contributed . . . to the development and implementation of human space flight programs while ensuring quality and safety.
- Accomplished specific achievement(s) that had a significant impact on attaining a particular human space flight program goal while ensuring quality and safety.
- Contributed to a major cost saving effort or a series of lesser cost saving efforts pertaining directly to human space flight programs.
- Was instrumental in developing modifications to human space flight mission hardware, software, or materials increasing reliability, efficiency, or performance.
- Assisted in operational improvements that increase efficiency or performance.

- Was a key player in developing a beneficial process improvement of significant magnitude.

We found that each of the 60 honorees' nomination forms included information to satisfy at least one of the above criteria; therefore, the awards were justified in accordance with the SFA Policy Document.

NASA's Use of Appropriated Funds Was Generally in Accordance with Federal and NASA Policies but Some Expenses Increased the Cost of the Event Unnecessarily

We also found that NASA's use of funds to award, transport, and provide meals and refreshments to honorees for the awards event was in accordance with Federal statutes and supported by the Red Book. Specifically, the Government Employees' Incentive Awards Act authorized NASA to expend its appropriations for whatever expenses the Agency determined were necessary to award the honorees. In addition, cases presented in GAO's Red Book also generally support NASA's use of appropriated funds to award, transport, and provide meals and refreshments to the honorees at the awards events.

Reported Costs Understate Actual Cost

NASA held an SFA Conference event December 3 through December 7, 2007, at the Hyatt Regency Grand Cypress Resort in Orlando, Florida. NASA planned the event in conjunction with the launch of Space Shuttle Atlantis, Mission STS-122, scheduled for Thursday, December 6, 2007. The attendees comprised NASA and contractor employees and their guests and totaled 626—273 honorees and 353 guests. (See Enclosure 2 for the December 2007 SFA Conference agenda.) The Hyatt Resort was contracted to provide rooms, banquet facilities, and catering. Event activities included a reception, a dinner, a breakfast, a tour of Kennedy, and the planned viewing of the Space Shuttle launch. In addition, the Program provided a 3-day, 2-night trip to Johnson in January 2008 for 41 Kennedy honorees and their guests. (See Enclosure 3 for the January event's agenda.) The total NASA cost reported for the December 2007 event and the January trip was \$585,738. Detailed costs are provided in the table below.

Detailed Direct Costs Incurred for SFA Conference Orlando, Florida, December 2007 – Johnson Space Center, January 2008		
Activity	Orlando Event	Johnson Event
Honoree Welcome Reception and Recognition Dinner	\$ 60,289	
Event Brochures	6,167	
Frames for Honoree Certificates	2,985	
Breakfast Awards Ceremony	69,161	
Audiovisual Services	23,186	
Transportation to View the Launch	3,000	
Honoree Shuttle Model Awards	10,733	
Event Extension for Rescheduled Launch (2 days)	52,798	
Lunch and Snacks During the Johnson Tour		1,600
Transportation for Center Tours	9,050	\$ 1,300
Honoree per Diem	167,873	13,625
Honoree Airfare/Transportation	104,267	24,025
Panel Member per Diem	20,985	1,138
Panel Member Airfare/Transportation	11,813	1,743
Subtotals	\$542,307	\$ 43,431
Total for Both Events		\$585,738

NASA correctly reported \$585,738 in expenses directly related to the SFA Conference. However, we estimate labor (salary and benefits) costs charged to the various NASA programs of approximately \$424,265 for employees' attendance at the SFA conference may have unnecessarily increased the actual costs of the SFA Conference beyond what was reasonably needed to accomplish the objective.

NASA Paid Labor Costs for Honorees' Free Time

On the second day of the SFA Conference, NASA held a breakfast awards ceremony and planned no other activities for any of the honorees for the remainder of the day. NASA officials indicated they scheduled the breakfast ceremony to accommodate the schedules of invited astronauts and management officials. The breakfast ceremony was only scheduled for 1.5 hours and the 273 honorees attended either the ceremony or a 1.5-hour briefing. The honorees had the remaining 6.5 hours of the day as free time. During interviews we conducted with honorees, they stated that they used the free time to tour, shop, and use the resort's amenities. Although NASA did not include labor costs as part of its \$585,738 of reported costs for the SFA Conference, we estimate that various NASA programs paid an additional \$62,807 in labor costs for this free time. Scheduling conference activities to fully occupy attendee time ensures that conference resources are used in a productive manner.

Two-Day Event Extension for Shuttle Launch Delay. When the Space Shuttle Atlantis launch was postponed for 2 days, the Associate Administrator for Space Operations approved an extension of the Orlando event to provide honorees an additional opportunity to view the launch. Historically, NASA has postponed 61 percent of Space Shuttle launches for reasons such as weather or technical difficulties. Of those launches,

72 percent encountered delays longer than 2 days. In this instance, additional technical difficulties forced NASA to reschedule the Atlantis launch for February 2008. Thus, despite the 2-day extension authorized by NASA, honorees were still unable to view the launch.

We estimate that NASA incurred \$52,798 of additional travel expenses to extend the SFA Conference event 2 days when the launch of the Space Shuttle Atlantis was postponed. Our review of honorees' travel vouchers revealed that 55 percent of honorees stayed at least a portion of the additional authorized time. The extension resulted in additional travel costs that unnecessarily increased the cost of the event. We did not estimate additional costs for honorees' labor because the extended days comprised the weekend after the SFA Conference was to have ended; thus, employees should have been on their own time. In addition, we did not review employee or contractor time reports to determine whether any time was charged to the various NASA programs for the weekend extension.

Kennedy Honorees' Three-Day Trip to Johnson. In addition to the December 2007 SFA ceremonies, Kennedy honorees received a 3-day, 2-night trip to Johnson in January 2008 as part of their SFA recognition. According to the SFA Program Manager, NASA awards Kennedy honorees with a trip to Johnson because most Kennedy honorees are familiar with Kennedy facilities and operations, and the trip to tour Johnson furthers the honorees' knowledge of the NASA culture. NASA incurred \$43,431 in expenses to provide the Kennedy honorees with the trip to Johnson. Furthermore, we estimate that in addition to the \$43,431 of travel costs for the trip to Johnson, the Agency incurred an additional \$37,759 in labor costs for those 3 days. The expenses for the Johnson trip may have unnecessarily increased the cost of the event because NASA had already incurred the costs for the Kennedy honorees that chose to attend all the events at the December 2007 ceremonies at the Orlando resort and Kennedy Space Center. Based on our interviews, 88 percent of Kennedy honorees attended all of the December 2007 events in Orlando and at Kennedy, and yet were awarded with the additional trip to Johnson.

Noncompliant Per Diem Reimbursements

We also noted that some of the NASA and contractor SFA honorees did not follow applicable FTR requirements when preparing their travel vouchers seeking reimbursement for travel expenses associated with the awards event. Specifically, some honorees claimed per diem for meals that the Agency provided.

During our review of 60 NASA civil service and contractor honorees' travel vouchers, we found that some SFA honorees claimed and were reimbursed for meals that NASA provided for an estimated total of \$2,138 in per diem expenses. We noted 15 of 60 SFA honorees (25 percent) claimed per diem expenses including dinner and breakfast on the dates of the awards dinner and breakfast. FTR Part 301-11.18 requires employees to adjust their per diem to exclude meals provided or paid for by others. Therefore, honorees who claimed the meals and incidental expenses per diem rate for Orlando (\$49 per day, or \$36.75 if December 3 was a travel day) should have reduced the per

diem claimed by \$24 for the meal covered by the awards dinner on December 3. Additionally, honorees who participated in the awards breakfast on December 4 should have reduced their per diem claimed by \$9. We believe the allowance of the per diem claims occurred because the honorees, and the approvers of their travel vouchers, were not aware of the FTR requirement to reduce per diem.

The NASA Shared Services Center processes NASA's payments, including travel vouchers, and administers NASA's collection process for overpayments. The NASA Shared Services Center policy is to forego collecting overpayments of less than \$50 because of the cost associated with the collection process. Since the amount attributable to individual meals claimed is less than \$50 and, therefore, not subject to collection, the role of the approver is vital to ensuring that travel vouchers are prepared accurately and travelers are reimbursed at appropriate rates.

We identified a similar finding in our audit report titled, "NASA's Conference Planning Process Needs Improvement" (Report No. IG-09-002, October 29, 2008). In that report, we recommended that the NASA Chief Financial Officer remind travelers, travel voucher preparers, and approvers of the FTR requirement to reduce the rates when meals are paid for by the Government or someone else. The NASA Chief Financial Officer agreed to issue appropriate guidance by December 31, 2008. However, as of April 17, 2009, no guidance had been issued.

Congress Limits Funding for SFA Conference Events

Subsequent to our review of the December 2007 awards event, the President signed the National Aeronautics and Space Administration Authorization Act of 2008 (H.R. 6063) on October 15, 2008, which authorizes the appropriations and programs of NASA for FY 2009. H.R. 6063 limits total authorized spending on conferences and eliminates funding for the SFA Conference events. Specifically, H.R. 6063, section 1121, "Limitation on Funding for Conferences," states:

There are authorized to be appropriated not more than \$5,000,000 for any expenses related to conferences, including conference programs, travel costs, and related expenses. No funds authorized under this Act may be used to support a Space Flight Awareness Launch Honoree Event conference. The total amount of the funds available under this Act for other Space Flight Awareness Honoree-related activities in fiscal year 2009 may not exceed 1/2 of the total amount of funds from all sources obligated or expended on such activities in fiscal year 2008.

Management's Comments on the Findings and Evaluation of Management's Comments

In his response to our April 20, 2009, draft memorandum, the Associate Administrator for Space Operations identified issues he believed needed clarification.

The Associate Administrator stated that the report's references to the National Aeronautics and Space Administration Authorization Act of 2008 were unnecessary because the statute does not pertain to the December 2007 event, and references to the Act only serve to distract from the legitimate conclusions of the report. We believe that reference to the National Aeronautics and Space Administration Authorization Act of 2008 is relevant to the report's findings because the Act limited the amount of FY 2009 funds NASA could expend on SFA conference events. In doing so, we believe that referencing the Act informs readers of Congressional interest in the SFA Program and its current status.

The Associate Administrator also noted that the event only cost NASA more than \$1 million when indirect costs of honorees salaries and benefits were included at our estimated rates and stated that salaries and benefits are not always included in calculating total costs. We acknowledge that the event costs exceeded \$1 million only with the inclusion of our estimate of labor rates; however, we believe the report is clear on that issue and our methodology for estimating is reasonable. Including salaries and benefits in calculating the total costs is consistent with full costing principles and properly reflects the value of resources used to achieve the objective of the event.

The Associate Administrator further states that our report assumes that none of the honorees performed productive NASA work while at the event and that we used notional labor rates for those employees. As stated above, we believe our methodology and use of conservative labor rates to develop our labor estimate is reasonable. We did not assess whether the honorees performed any productive work during the SFA event; however, in interviews with 60 SFA honorees regarding their activities after the Breakfast Awards Ceremony, a majority told us they used the 6.5 hours to visit local Orlando attractions, use resort amenities, shop, or visit friends and family. The same honorees indicated they performed similar activities during other periods of free time and during the launch delays at the SFA event.

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

We recommended that prior to conducting any future SFA Conference events, the Associate Administrator for Space Operations determine what expenses are reasonably necessary to achieve the objective of the events and revise the SFA Policy document to establish criteria for program managers to use in planning these events. The criteria should address fiscal and appearance issues and include requirements for selecting

locations, establishing agendas, choosing activities, and documenting that the cost of employee salaries and benefits has been considered.

Management's Response. The Associate Administrator for Space Operations concurred, stating that the SFA Policy Document is being revised into a NASA Policy Directive that will establish criteria for program managers to use when planning future events.

Evaluation of Management's Response. Management's planned action is responsive. The recommendation is resolved and will be closed upon completion and verification of management's corrective action.

We appreciate the courtesies extended during our review. If you have any questions, or need additional information, please contact Mr. John Apker, Human Capital and Institutional Management Directorate, at 202-358-2978.

/signed/

Debra D. Pettitt

4 Enclosures

Scope and Methodology

We performed this review from December 2007 through March 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We performed our review at the Hyatt Regency Grand Cypress Resort, Orlando, Florida; Johnson Space Center; and NASA Headquarters.

To determine whether NASA had conducted the December 2007 SFA Honoree Event in accordance with Federal regulations and NASA policies and procedures, we reviewed the following laws, regulations, policies, and procedures:

- Principles of Federal Appropriations Law, Volume 1, Chapter 4, “Availability of Appropriations,” January 2004;
- The Government Employees’ Incentive Awards Act, 5 U.S.C., Sec. 4501-4506;
- Federal Travel Regulation, Chapter 301, “Temporary Duty (TDY) Travel Allowances,” January 2004;
- NPD 1400.1, “Documentation and Promulgation of Internal NASA Requirements,” March 3, 2005;
- NASA Procedural Requirement 3451.1, “NASA Awards and Recognition Program,” May 7, 1999;
- NASA Administrator’s Memorandum, “Planning Agency-Sponsored Events,” November 16, 2005; and
- “Space Flight Awareness Policy Document,” November 1, 2001.

To obtain an eyewitness account of the facilities, food, and events of the December 2007 SFA Conference, we attended select portions held at the Hyatt Regency Grand Cypress Resort. Specifically, we attended and observed the welcome reception, recognition dinner, and awards breakfast.

We met with the SFA Program Manager and SFA Panel members located at Johnson to obtain an overview of the SFA Program, including its history, process for selecting honorees, and process for planning SFA honoree events. We also interviewed a statistical sample of honorees to determine their use of time at the December 2007 event.

We evaluated costs for the December 2007 event and trip to Johnson taking into account Federal Appropriations Law, Federal Travel Regulations, and NASA policies.

Sampling Methodology. We selected a statistical sample of December 2007 SFA honorees to review their travel vouchers, nomination forms, and to interview them about attendance at the award events. To select our sample, we used the attribute estimation sampling module contained in the Defense Contract Audit Agency sampling software, “EZ-Quant Statistical Sampling Module.” EZ-Quant produced the sample size of 60 honorees based on our input of a critical error rate of 5 percent, precision goals of 10 percent, and a confidence level of 90 percent. We used EZ-Quant’s Random Number Generator to select randomly 60 honorees from a spreadsheet listing of 273 employees NASA gave awards to at the event. Our sample included honorees that were NASA contractor employees. Therefore, the expense reports reviewed came from NASA and other sources. Accordingly, since the expense reports reviewed did not all come from the same source, we did not extrapolate the results of the review to the entire population but instead provided an estimated outcome.

Computer-Processed Data. We did not perform a detailed assessment of the reliability of the cost data provided by the SFA Program Manager and contractors for the December 2007 awards event. To determine the reasonableness of the costs provided by the SFA Program Manager, we reviewed a portion of honorees’ travel costs, hotel bills, and contracts. In addition, we compared the costs provided by the SFA Program Manager to costs that NASA submitted to the U.S. Senate’s Subcommittee on Federal Financial Management, Government Information, and International Security Committee on Homeland Security and Government Affairs. Based on those assessments, we determined that the reliability of the data does not affect our findings.

Review of Internal Controls. We reviewed and evaluated internal controls associated with nominating and selecting SFA honorees and reimbursing their travel costs. We identified a weakness in NASA’s reimbursement of travel costs for the SFA Conference events. A similar finding was identified in our audit report entitled, “NASA’s Conference Planning Process Needs Improvement” (Report No. IG-09-002, October 29, 2008). The NASA OCFO concurred with the finding and agreed to implement the related recommendation.

Prior Coverage. During the last 5 years, the NASA OIG issued one report and the Department of Homeland Security OIG issued one report of particular relevance to the subject of this memorandum: Unrestricted reports can be accessed over the Internet at <http://www.hq.nasa.gov/office/oig/hq/audits/reports/FY09/index.html> and <http://www.dhs.gov/xoig>.

NASA OIG

“NASA’s Conference Planning Process Needs Improvement” (Report No. IG-09-002, October 29, 2008)

Department of Homeland Security OIG

“Assessment of Expenditures Related to the First Annual Transportation Security Administration Awards Program and Executive Performance Awards” (OIG-04-46, September 2004)

Agenda for December 2007 SFA Conference Event in Orlando, Florida

Date and Time	Event and Activity
Sunday, December 2, 2007	
West Coast Guests / International Guests / SFA Panel Members Travel	
3:00 - 5:00 pm	Hotel Check-in
Monday, December 3, 2007	
Honoree Travel / Reception / Dinner	
3:00 - 5:00 p.m.	Hotel Check-in
5:00 – 6:00 p.m.	Multiple Contractor Awards Ceremonies
7:00 – 7:30 p.m.	Honoree Welcome Reception
7:30 – 9:30 p.m.	NASA Recognition Dinner
Tuesday, December 4, 2007	
Awards Ceremonies	
8:30 – 10:00 a.m.	NASA Centers and Contractor Breakfast Award Ceremonies
Wednesday, December 5, 2007	
Kennedy Tour	
Group 1	
6:45 a.m.	Load Buses
7:00 a.m.	Depart Hotel for Kennedy
2:15 p.m.	Depart Kennedy for Hotel
Group 2	
7:45 a.m.	Load Buses
8:00 a.m.	Depart Hotel for Kennedy
3:15 p.m.	Depart Kennedy for Hotel
Thursday, December 6, 2007	
Launch Day	
Non-Kennedy Honorees	
12:00 p.m.	Load Buses
12:15 p.m.	Buses Depart for launch viewing site
4:31 p.m.	View Launch of STS 122
4:45 p.m.	Load Buses
5:00 p.m.	Buses Depart
Kennedy Honorees / Guests	
2:15 p.m.	Load Buses
2:30 p.m.	Buses depart for launch viewing site
4:31 p.m.	View Launch of STS-122
4:45 p.m.	Load buses
5:00 p.m.	Buses Depart
Friday, December 7, 2007	
Honorees Travel Home	

Agenda for January 2008 SFA Honoree Event at Johnson Space Center

Date and Time	Event and Activity
Wednesday, January 23, 2008	Honoree Travel
	Hotel Check-in
Thursday, January 24, 2008	Honoree Tour / Lunch
7:45 – 8:45 a.m.	Welcome Briefing/ Group Photo
8:50 – 9:10 a.m.	NASA Aircraft Operations
9:15 – 11:30 a.m.	International Space Station and Space Shuttle Trainers / Mission Control Center
11:35 a.m. – 1:30 p.m.	Proceed to Restaurant/ Lunch
1:45 – 3:45 p.m.	Neutral Buoyancy Laboratory and Flight Crew Equipment Facility
Friday, January 25, 2008	Honorees Travel Home

Management's Comments

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



June 15, 2009

Reply to Attn of

Space Operations Mission Directorate

TO: Assistant Inspector General for Auditing
FROM: Associate Administrator for Space Operations
SUBJECT: Response to Draft Memorandum on Review of the Space Flight Awareness (SFA) Honoree Launch Conference Event (Assignment No. S-08-008-00)

Thank you for the opportunity to provide comments on the subject document. While we are pleased to hear the findings of your review which indicates the SFA Program complied with Federal regulations and the National Aeronautics and Space Administration's (NASA's) policies and procedures, there were several report findings that NASA wishes to correct.

As stated in your findings, the SFA Program is one of NASA's most prestigious means of recognizing and honoring employees and contractors who contribute to astronaut safety and mission success. Over the years since its inception, NASA and its aerospace contractors with major responsibilities for human spaceflight have recognized that NASA employees and those of NASA's aerospace contractors are NASA's most important assets. Employee recognition is an important component of a successful organization.

NASA would like to clarify that the Space Transportation System (STS)-122 SFA Launch Honoree Event held in December 2007, was not the typical length of time planned for honorees. This event was originally scheduled to consist of a six-day, five-night trip to view the Space Shuttle STS-122 launch for honorees traveling from the West Coast, international partners and SFA panel members. All other honorees were scheduled for a five-day, four-night trip. However, the Space Shuttle launch was delayed 24 hours, followed by a second 24-hour delay, for a total of two additional days. The SFA policy permits the program manager to extend honorees for up to 48 additional hours with Headquarters approval. Given the limited number of Shuttle launches remaining and the indication the launch would occur, a decision was made to approve the additional days for honorees to stay for the launch. Once it was determined the mission would be scrubbed until February 2008, everyone was sent home. Therefore, we believe that the length of time (and attendant costs) of this one SFA launch honoree event was not necessarily typical of this cost-effective program.

Other findings included in your report that NASA would like to clarify are provided below.

Page One, Transmittal Letter

- **First Paragraph, Inspector General's (IG) Comment:** The letter of transmittal/cover letter indicates that the SFA Conference was at "... a luxury resort hotel. [with] formal receptions, and the opportunity to view the launch ..."
- **NASA Comments:** The hotel is named "Grand Cypress Resort;" however, the IG characterization of the resort as a "luxury resort" is misleading. Instead, this lodging was within government per diem rates, sourced by competitive bid, and selected due to its capability to host all of the SFA honorees in one location which helped facilitate the conduct of the SFA program.
- **NASA Comments, Second Paragraph, IG's Transmittal Letter:** The letter of transmittal/cover letter refers to NASA's Authorization Act of 2008. The Congressional interest in SFA is noted. This statute however does not otherwise pertain to the event examined. Its inclusion therefore tends only to confuse the issues of proper SFA management, in suggesting it pertained or was not adhered to. The IG report might be more clear if this reference and the related reference at pages 2 (second full paragraph), 10 ("Congress Limits Funding for SFA Conference Events") were deleted.

See footnote added on page 1.

See Management Comments, page 11.

Page Two, Executive Summary

- **Second Paragraph, IG Comment:** A total of 273 NASA, contractor and international partner honorees received the honoree award at a cost of \$542,307. In addition, 41 of those honorees received an additional three-day, two-night trip to Johnson Space Center (JSC) bringing the award package to a ten-day, eight-night trip to an additional cost of \$43,431.
- **NASA Comments:** The costs and attendance for Kennedy Space Center (KSC) honorees may have been incorrectly calculated. Specifically, the report implies that all honorees (including employees already working at KSC) received a seven-day, six-night trip to Orlando, and in addition, that all KSC honorees received an additional three-day, two-night trip to JSC bringing their (KSC's) total award package to a ten-day, eight-night trip. However, this is incorrect. KSC honorees did not receive a seven-day, six-night trip to Orlando, and some of the KSC honorees did not travel to JSC. Instead, KSC honorees received a one-night stay at Orlando for the Launch Honoree Event and an additional three-day, two-night trip to JSC. Consequently, the numbers and costs are similarly overstated.

Text revised on page 2.

- The draft report includes the estimated costs of allocable salary and benefits of the honorees. Only if this notional cost is included does the event reach the \$1,010,003 amount noted in the draft report. However, depending on costing models used, allocable salaries and benefits are not always included in calculating total costs (as compared to total expenses).

Third Paragraph, IG Comment: “Program managers added activities and extended the event initially planned for a four-day, three-night program, to seven days and six nights.”

- **NASA Comments:** Program managers did not add additional days to extend the agenda.
 1. The original SFA honoree event was scheduled for five days and four nights (see Enclosure 1). Please note on the enclosure that some panel members held awards presentations prior to the SFA reception with their honoree briefings the following morning. Other panel members held an honoree briefing prior to the SFA reception and held their awards presentations the following morning.
 2. No additional activities were added to the original agenda (as stated).
 - Note: Honorees had an exceptionally long day on L-3 due to traveling to Florida, either attending their awards presentation or briefings, and then attending the SFA reception that ended approximately at 9:30 p.m.
 - It is incorrectly stated in the document that the 124 honorees had eight hours of free time on L-2. All honorees either attended an awards ceremony or a briefing on the morning of L-2.

Third Paragraph, IG Comment: “No other activities were scheduled . . . so the honorees received 6.5 hours of free time, while . . . [others] . . . received eight hours of free time.”

- **NASA Comments:** To be sure, some of the incentive aspects of SFA is the time-off that the honorees may enjoy, depending on the launch schedule and other factors. However, the draft report assumes that none of the honorees performed productive NASA work while at the event (by such means as hand held devices, laptop computers, etc.), and uses notional labor rates for those employees. This calculation method may lead to inaccurate conclusions and artificially inflated out-of-pocket costs, rather than attempting to value the time of employees.

See Management Comments, page 11.

Footnote added on page 2 and text revised on page 8.

See Management Comments, page 11.

Fourth Paragraph, IG Comment: “While currently prohibited from holding this award event . . .” and “. . . may cost NASA over a million dollars.”

- **NASA Comments:** The oblique reference to the restrictions on SFA launch honoree event conference from the 2008 NASA Authorization Act is unnecessary, and serves only to distract from the legitimate conclusions of the draft report. The “cost” to NASA is only if the notional rates and methods of calculating honorees’ time is reckoned as a direct and out-of-pocket expense. That this method was used to calculate the total “cost NASA over a million dollars” should be more plainly stated, along the lines of “with direct costs and the value of the attendees’ collective time, this event cost NASA over a million dollars.”

Fifth Paragraph, IG Comment: “We recognize there is a paucity of guidance . . . as to what is reasonably necessary under these circumstances. However, events such as this, which ultimately cost NASA over a million dollars, appears to us as unreasonable. Perhaps an awards event the evening before a scheduled launch . . . is reasonable.”

- **NASA Comments:** The IG’s perspective on what might be a perception problem for NASA expenditures is laudable. The observations about appearance of what is unreasonable and reasonable, however, where those terms are not explained further, makes the comments not particularly helpful, particularly given the paucity of guidance and the inherently subjective nature of valuing the events’ worth.

Page Four, “Program Management”

- **IG Comment:** The SFA Program is managed by NASA’s Chief, Safety and Mission Assurance; the Associate Administrator for Space Operations and the Director of JSC.
- **NASA Comments:** The SFA Program is managed by the Space Operations Mission Directorate, not by the NASA Chief, Safety and Mission Assurance or the Director of the JSC. The latter two offices provide key leadership and support to the SFA Program, but are not responsible for managing the program. NASA is currently preparing a NASA Policy Directive (NPD) outlining the programmatic responsibilities governing the SFA Program.

Page Seven, “Reported Costs Understate Cost”

- **IG Comment:** “NASA reported \$585,738 in expenses directly related to the the SFA conference. In addition, we estimate labor (salary and benefits) costs . . . of approximately \$424,265. . .”

See Management Comments, page 11.

Revised wording on page 3.

Revised text on page 4.

- **NASA Comments:** Similar to our comments above, the costs are “understated” only if (1) the costs include allocable salary and benefits, and (2) at the notional and estimated rates provided by the Department of Labor. In this regard, then NASA correctly reported “direct costs,” but did not include “indirect costs.” This distinction should be maintained.

Page Eight: NASA Paid Labor Costs for Honoree's Free Time

- See comments above (Reference Executive Summary, Page Two, Paragraph Four).
- **IG Comment:** “We recommend that prior to conducting any future SFA conference events, the Associate Administrator for Space Operations determine what expenses are reasonably necessary to achieve the objective of the events and revise the SFA policy document to establish criteria for program managers to use in planning these events. The criteria should address fiscal and appearance issues and include requirements for selecting locations, establishing agendas, choosing activities, and documenting that the cost of employee salaries and benefits has been considered.”
- **NASA Comments:** In large part, NASA concurs with this recommendation. In planning for any SFA event, NASA will determine what expenses are reasonably necessary to achieve the objective of the events. The SFA policy document is being revised into an NPD and will establish criteria for program managers to use in planning these events. The criteria will incorporate and address fiscal and appearance issues and include requirements for selecting locations, establishing agendas, choosing activities, and documenting that the cost of employee salaries and benefits has been considered. Additionally, NASA will continue to select hotels through the procurement process and will be selected based upon availability, pricing within per diem rates, and quality.

Page Nine, “Noncompliant Per Diem Reimbursements”

- **IG Comment:** The draft report essentially notes that of the 60 honorees audited, some 15 over-claimed their expenses in not reducing the per diem for meals provided.
- **NASA Comment:** NASA concurs that this is a matter of concern, and will address this by better prior notification to honorees prior to and during the event. We will also review the need to have honorees from this event resubmit or adjust their travel claims.

See Management Comments, page 11.

Thank you for the opportunity to provide comments on your findings. Please let us know if additional information is needed.

A handwritten signature in black ink that reads "William H. Gerstenmaier". The signature is written in a cursive style with a large initial 'W'.

William H. Gerstenmaier

Enclosure