

December 2008

INSPECTORS  
GENERAL

Actions Needed to  
Improve Audit  
Coverage of NASA





Highlights of [GAO-09-88](#), a report to congressional requesters

## Why GAO Did This Study

GAO was asked to review the National Aeronautics and Space Administration (NASA) Office of Inspector General (OIG) and provide information on (1) the audit and investigative coverage of NASA; (2) the NASA OIG's audit and investigative accomplishments; (3) the NASA OIG's budget and staffing levels, including staff attrition rates; and (4) the results of external reviews of the NASA OIG. GAO obtained information from NASA OIG reports, interviews, and documentation.

## What GAO Recommends

GAO is making two recommendations for the NASA IG to (1) revise strategic and annual planning to include audits of NASA's program economy and efficiency with potential monetary savings by working with an objective third party to obtain external review and consultation during the planning process and (2) take actions to identify the causes of high staff turnover with the assistance of an objective expert.

In addition, GAO is recommending that the Integrity Committee follow up on its investigative finding that the NASA IG had an appearance of a lack of independence.

In comments on a draft of the report, the Integrity Committee and the NASA IG disagreed with the recommendations. GAO believes the recommendations are valid and provides a detailed response to these comments in the body of the report.

To view the full product, including the scope and methodology, click on [GAO-09-88](#). For more information, contact Jeanette Franzel at (202) 512-9471 or [franzelj@gao.gov](mailto:franzelj@gao.gov).

# INSPECTORS GENERAL

## Actions Needed to Improve Audit Coverage of NASA

### What GAO Found

The fundamental mission of the statutory federal IG offices, including the NASA OIG, includes identifying areas for improved economy, efficiency, and effectiveness through independent and objective oversight and preventing and detecting fraud, waste, and abuse. Of the 71 reports issued by the OIG's Office of Audits in fiscal years 2006 and 2007, only 1 report had recommendations to address the economy and efficiency of NASA's programs and operations with measurable monetary accomplishments.

Over the 5-year period of fiscal years 2003 through 2007, audit reports contributed to only 1 percent of the OIG's total monetary accomplishments. The remaining 99 percent came from the OIG's investigative cases. Of about \$9 million in total reported monetary accomplishments from audits over the 5-year period, almost \$7 million was from one audit completed in fiscal year 2007. When the monetary accomplishments of both audits and investigations in fiscal year 2007 are combined and compared to the OIG's budget of \$34 million, the return for each budget dollar is \$0.36. This calculation for all 30 OIGs with IGs appointed by the President and confirmed by the Senate averages \$9.49, or 26 times that of the NASA OIG.

The OIG's relative lack of monetary accomplishments from audits is due, at least in part, to the OIG's strategic and annual audit plans, which do not provide assurance that NASA's economy and efficiency will be addressed or that measurable monetary accomplishments will be achieved. We believe that during the planning process, the OIG should consult with an objective third party with experience in providing economy and efficiency audits with potential monetary savings.

The OIG's budgets and staffing kept pace or did slightly better than all of NASA for these same resources during fiscal years 2003 through 2007. When comparing the fiscal year 2007 budgets of all 30 IGs appointed by the President and confirmed by the Senate with their respective agencies' budgets, the NASA OIG ranked 11th. Nevertheless, GAO noted that the OIG's ability to retain experienced audit personnel was adversely affected by a staff attrition rate that has increased from 12 percent to almost 20 percent over fiscal years 2003 through 2007. Due to the relatively high attrition rates, GAO believes that the OIG should use the assistance of an objective expert to identify the causes of staff turnover.

The NASA OIG's most recent peer reviews for both audits and investigations have resulted in unqualified opinions. A recent investigation by the Integrity Committee of the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency reported that the NASA IG had an appearance of a lack of independence. The investigation was closed, but corrective actions did not address this finding and the Integrity Committee considers the issue unresolved. This issue has been raised by members of the Congress as a limitation in obtaining independent oversight of NASA.

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## Abbreviations

CAIB	Columbia Accident Investigation Board
DCAA	Defense Contract Audit Agency
ECIE	Executive Council on Integrity and Efficiency
FTE	Full-time equivalent
GAO	Government Accountability Office
IG	Inspector General
IG Act	Inspector General Act of 1978, as amended
JPL	Jet Propulsion Laboratory
NASA	National Aeronautics and Space Administration
OIG	Office of Inspector General
OMB	Office of Management and Budget
PCIE	President's Council on Integrity and Efficiency
SSRRC	Senior Staff Referral Review Committee

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United States Government Accountability Office  
Washington, DC 20548

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December 18, 2008

The Honorable Charles E. Grassley  
Ranking Member  
Committee on Finance  
United States Senate

The Honorable Bart Gordon  
Chairman  
Committee on Science and Technology  
House of Representatives

The Honorable Brad Miller  
Chairman  
Subcommittee on Investigations and Oversight  
Committee on Science and Technology  
House of Representatives

This report responds to your request that we review the operations and activities of the National Aeronautics and Space Administration's (NASA) Office of Inspector General (OIG). The NASA OIG was established by the Inspector General (IG) Act of 1978<sup>1</sup> to provide independent audits and investigations of NASA's programs and operations, promote economy and efficiency, detect and prevent fraud and abuse, and recommend actions for improvement.

In the three decades since passage of the IG Act, the IGs have played an important role in enhancing government accountability and protecting the government from fraud, waste, abuse, and mismanagement. In the current environment of an escalating federal budget deficit and increasingly limited resources, effective IG functions are needed to help transform what government does and how it does business and to hold it accountable for achieving real, positive, and sustainable results.

As discussed with your offices, we are providing information regarding (1) the NASA OIG's audit and investigative coverage of NASA, including oversight of high-risk areas and NASA's management challenges; (2) the

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<sup>1</sup>Pub. L. No. 95-452, 92 Stat. 1101 (Oct. 12, 1978) (codified, as amended, at 5 U.S.C. App.).

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NASA OIG's audit and investigative accomplishments; (3) the NASA OIG's budget and staffing levels, including staff attrition rates; and (4) the results of external reviews of the NASA OIG, including peer reviews of its quality assurance program and operations and an investigative report by the Integrity Committee of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE).<sup>2</sup>

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## Scope and Methodology

To review the OIG's audit oversight coverage of NASA, we obtained the 71 final reports from the Office of Audits as reported in the OIG's semiannual reports to the Congress for fiscal years 2006 and 2007, which included 46 audits with statements of compliance with *Government Auditing Standards* and 25 reports without reference to compliance with auditing standards. For purposes of our review, we considered only those reports that stated compliance with *Government Auditing Standards* as audit reports and refer to the reports without such statements as nonaudit reports.<sup>3</sup> We compared the contents of the 46 audit reports with the high-risk areas designated by us and with the management challenges identified by the NASA OIG to determine the audit coverage of these areas. We also analyzed the nature and scope of all 71 final reports and the resulting recommendations to determine the extent to which they addressed compliance with laws, regulations, and NASA policies and procedures; economy and efficiency; or the effectiveness of NASA's programs and

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<sup>2</sup>PCIE is composed principally of the presidentially appointed and Senate-confirmed IGs, and ECIE is composed principally of IGs appointed by the heads of designated federal entities defined by the IG Act. Both were established by executive order to coordinate and enhance the work of the IGs and are chaired by the Deputy Director for Management, Office of Management and Budget. In addition, Executive Order 12993, *Administrative Allegations Against Inspectors General*, provides an independent investigative mechanism to ensure that allegations against IGs and senior IG staff are expeditiously investigated and resolved. The executive order provides the authority for the Integrity Committee, as part of PCIE and ECIE, to address these allegations. The Integrity Committee is chaired by a designee of the Federal Bureau of Investigation. Other government members include the Special Counsel of the Office of Special Counsel, the Director of the Office of Government Ethics, and at least three IGs selected from PCIE and ECIE.

On October 14, 2008, Public Law 110-409, the Inspector General Reform Act of 2008, was enacted. Among other provisions, it authorizes a new statutory Council of the Inspectors General on Integrity and Efficiency, which is to have its own Integrity Committee with powers similar to the PCIE and ECIE Integrity Committee, and disestablishes the PCIE and ECIE, effective on the earlier of the creation of the new Council, or 180 days after the passage of the Act.

<sup>3</sup>GAO, *Government Auditing Standards, July 2007 Revision*, [GAO-07-731G](#) (Washington, D.C.: July 2007).

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operations. To review the investigative coverage, we used the identification of closed cases reported by the OIG in semiannual reports for fiscal years 2006 and 2007. We also obtained the OIG's strategic and annual audit plans covering the same 2-year period to determine if they contained goals and objectives to provide audit coverage of NASA's program compliance with laws and regulations and program economy, efficiency, and effectiveness.

We identified monetary and other audit and investigative accomplishments reported by the NASA OIG in semiannual reports to the Congress for fiscal years 2003 through 2007 in order to observe any long-term trends. We limited our review of the NASA OIG's accomplishments to the results of audits and investigations reported to the Congress for this period and did not audit or otherwise verify the dollar amounts of the monetary accomplishments or potential savings to the government reported by the NASA OIG. We also obtained the semiannual reports issued by all 30 IGs appointed by the President and confirmed by the Senate to obtain the monetary accomplishments reported by those IGs during fiscal year 2007. We obtained the total budgetary resources of each OIG for fiscal year 2007 from the Office of Management and Budget (OMB) and compared the reported monetary accomplishments with budgetary resources to obtain a return on investment for each IG office.<sup>4</sup>

We obtained the total budgetary resources at the NASA OIG and the agency for fiscal years 2003 through 2007 from OMB in order to observe any long-range budgetary trends. We obtained additional information on staffing levels, resource distribution, and attrition rates from the OIG to identify staffing trends over this period. The attrition rates for NASA overall were verified by NASA management officials. We compared the total budgetary resources for fiscal year 2007 of the 30 IGs appointed by the President and confirmed by the Senate with the total budgetary resources of their respective agencies for the same year. We calculated a ratio for each OIG's budget information as a percentage of its respective agency's budget for comparative purposes.

We obtained reports from the external reviews of the NASA OIG completed during fiscal years 2003 through 2007 to observe any long-term

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<sup>4</sup>Amounts presented as budgetary resources in this report for any given fiscal year may not equal the amount made available as new appropriations for that year because the OMB data include other available amounts.

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trends in OIG quality for both audits and investigations. Specifically, we obtained the audit peer review report of audit quality dated January 8, 2004, completed by the Department of Justice OIG, and the March 13, 2007, peer review report completed by the General Services Administration OIG. We also obtained the July 8, 2005, peer review report of the NASA OIG's investigative quality completed by the Department of Transportation OIG. In addition, we obtained the report of investigation completed by the Integrity Committee of PCIE and ECIE, which addressed allegations of the NASA IG's misconduct and appearance of a lack of independence. This investigative report was released in late March 2007 to the House Committee on Science and Technology, which has oversight responsibilities for scientific research and development at NASA and other nondefense agencies. We discussed the disposition of the investigation with the Integrity Committee. We met with the NASA IG and senior OIG staff at the beginning of our review regarding our scope and methodology. We conducted a series of interviews coordinated through the IG's Executive Officer which included the Deputy Inspector General, the Counsel to the IG, the Assistant IG for Audits, the Assistant IG for Investigations, and the Assistant IG for Management and Planning. At the completion of our work we met with the NASA IG and senior OIG staff to discuss our report findings, conclusions, and recommendations.

We conducted this performance audit from November 2007 through December 2008 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.

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## Results in Brief

The fundamental mission of the statutory federal OIGs includes identifying areas for improved economy, efficiency, and effectiveness through independent and objective oversight; preventing and detecting fraud, waste, and abuse; and recommending corrective actions. Over fiscal years 2006 and 2007 the OIG completed 71 audits and other reports which included oversight of NASA's high-risk areas and management challenges, and reported closing 153 investigations in response to allegations of fraud, waste, and abuse. However, only one audit report for the 2-year period included recommendations for improving NASA's economy and efficiency with potential cost savings.

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For fiscal years 2003 through 2007 the NASA OIG reported over \$824 million in total monetary accomplishments from audits and investigations. The results of the OIG's investigations accounted for over \$815 million or 99 percent of this amount while audits contributed about \$9 million, or 1 percent. In addition, two OIG investigations were responsible for \$726 million, or 88 percent of the investigative total, and two audits were responsible for about \$8.4 million, or about 94 percent of all audit monetary accomplishments reported during the 5-year period. Contributing to the lack of reported monetary accomplishments from audits for this period, the OIG reported no monetary accomplishments from its audit activity from April 1, 2004, through September 30, 2005.

We believe that the lack of OIG recommendations regarding the economy and efficiency of NASA's programs and activities has resulted in the relatively low amount of reported monetary accomplishments when compared to other OIGs during fiscal year 2007. By comparing the OIG's budgetary resources of about \$34 million for the same year with the combined monetary accomplishments for audits and investigations, there is a \$0.36 return for each budget dollar. When this calculation is made for all 30 OIGs with IGs appointed by the President and confirmed by the Senate, the cumulative return for each budget dollar is approximately \$9.49, or about 26 times that of the NASA OIG. Also, when compared to these other OIGs, the year that the NASA OIG had its largest reported monetary accomplishment from audits, it ranked 27 in return for each budget dollar out of the 28 OIG offices reporting monetary accomplishments for fiscal year 2007.

These results can be attributed, at least in part, to strategic and annual audit plans that lack goals and objectives to provide assurance that the economy and efficiency of NASA's programs will be addressed. Instead, NASA OIG management officials often act as a clearinghouse for allegations received by the OIG and provide auditors with assignments to address limited scope procurement issues and areas that involve violations of NASA regulations. This reactive approach to assigning audits can encroach on the ability of the OIG to assign staff needed for other audits to address the overall economy and efficiency of NASA's programs and activities. We believe that the OIG can improve its audit plans by providing more specific attention to performance audits that address potential cost savings through recommendations that affect the economy and efficiency of NASA's programs and operations and that the OIG should consult with an objective outside party with experience in this type of audit work when developing strategic and annual audit plans.

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The lack of OIG audits focused on NASA's economy and efficiency and the relative lack of reported monetary accomplishments from audits are not explained by a concurrent lack of budgetary resources. The NASA OIG's total budgetary resources increased about 17 percent from \$29 million to \$34 million in constant dollars over fiscal years 2003 through 2007. The OIG's full-time equivalents (FTE) over the same period increased from 191 to 199 at year-end (a 4 percent increase). A comparison of the NASA OIG budget with the overall NASA budget indicates that the OIG budget has increased slightly more than the NASA budget. In addition, when this comparison is made for all 30 OIGs where the OIGs are appointed by the President and confirmed by the Senate, the NASA OIG's budget ranks 11th as a percentage of the agency's budget.

The NASA OIG's staff attrition rate for fiscal year 2007 was almost 20 percent, while the attrition rate for all other NASA offices was 5 percent. The loss of experienced staff in the Office of Audits is a result of 9 of the 10 highest-level audit managers' leaving the OIG in the past 5-year period. These losses affect the ability of the OIG to maintain experienced audit personnel.

Over the 5-year period of fiscal years 2003 through 2007 the NASA OIG had three routine external peer reviews to determine whether the OIG provides reasonable assurance of conforming to applicable professional standards and one nonroutine external review completed in fiscal year 2007, conducted by the Integrity Committee of PCIE and ECIE. Two of the routine peer reviews concluded that the NASA OIG's system of quality control for the audit function provided reasonable assurance of material compliance with professional auditing standards. The other routine peer review concluded that the OIG's Office of Investigation's system of internal safeguards and management procedures was in full compliance with the quality standards established by PCIE and ECIE and the Attorney General's investigation guidelines.

The nonroutine peer review was an investigation of allegations about the management practices of the NASA IG performed by the Department of Housing and Urban Development's OIG under the direction of the Integrity Committee. The Integrity Committee concluded that the NASA IG had created an abusive work environment and that other actions created an appearance of a lack of independence. The Chair of both PCIE and ECIE referred the results of the investigation to the current NASA Administrator who provided a course of action to address the investigation's conclusions. The Chair of PCIE and ECIE confirmed that the actions taken by the NASA Administrator constitute the final disposition of the

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investigation, and the case was closed by the Integrity Committee. Nevertheless, the Integrity Committee considers the actions taken by the NASA Administrator to be insufficient and the matter of the NASA IG's appearance of a lack of independence to be unresolved.

We are making recommendations to the IG to help strengthen the oversight of NASA. Specifically, we recommend that the OIG's strategic and annual audit plans address NASA's economy and efficiency by working with an objective third party to obtain external review and consultation during the strategic and annual planning processes. In addition, we are recommending that the IG take actions to identify the causes of high staff turnover with the assistance of an objective expert. We are also making a recommendation to the Integrity Committee to follow up on its investigative report and make any recommendations needed to fully resolve its finding regarding the IG's appearance of a lack of independence.

We obtained separate comments on a draft of this report from the Integrity Committee and the NASA IG. These comments are reprinted in their entirety in appendixes III and IV. Both the Integrity Committee and the NASA IG disagreed with our recommendations. The Integrity Committee stated that it did not have the power to compel any particular action regarding its investigative finding that the NASA IG lacked an appearance of independence and that we should make our recommendation to the Chair of PCIE and ECIE. However, our recommendation does not call for the Integrity Committee to take the corrective action to resolve its investigative finding but rather to exercise its authority and make appropriate recommendations for the Chair of PCIE and ECIE to take corrective action. The NASA IG objected to our report's scope, methodology, findings, conclusions, and recommendations but provided little additional information to show that NASA's economy and efficiency had been addressed through OIG audit recommendations for potential cost savings, or that actions had been taken to fully resolve the Integrity Committee's investigative finding that the NASA IG had an appearance of a lack of independence. We rebut disagreements and concerns raised by the Integrity Committee and the NASA IG in the Agency Comments and Our Evaluation section of this report. We also provide additional information in the GAO Comments section of this report. We reaffirm the need for the Integrity Committee and the NASA IG to take actions to address these findings.

## Background

NASA was established by the National Aeronautics and Space Act of 1958 to provide research into problems of flight within and outside Earth’s atmosphere and to ensure that the United States conducts activities in space devoted to peaceful purposes for the benefit of mankind. On January 14, 2004, the President announced a new vision for space exploration endorsed by the Congress in the NASA Authorization Act of 2005<sup>5</sup> which includes a journey of exploring the solar system, returning astronauts to the moon in the next decade, and venturing to Mars and beyond.

NASA comprises the Headquarters in Washington, D.C., nine field centers located throughout the country, and the Jet Propulsion Laboratory (JPL) operated for NASA by the California Institute of Technology.<sup>6</sup> The NASA centers and JPL conduct NASA’s programs in exploration, discovery, and research and are led by four mission directorates at NASA Headquarters. (See table 1.)

**Table 1: NASA Mission Directorates and Their Primary Missions**

NASA mission directorates			
Aeronautics Research Mission Directorate	Exploration Systems Mission Directorate	Science Mission Directorate	Space Operations Mission Directorate
Conducts research to enable changes to the airspace system and the aircraft that fly within it while supporting NASA’s space exploration missions.	Supports the development of human and robotic space exploration.	Conducts the scientific exploration of the Earth, sun, and the rest of the solar system and the universe.	Directs space flight operations, space launches, and space communications and manages operations of the International Space Station.

Source: NASA.

The NASA OIG was established by the IG Act to provide an independent office within NASA to conduct and supervise audits and investigations; provide leadership and coordination and recommend policies to promote economy, efficiency, and effectiveness; and prevent and detect waste, fraud, abuse, and mismanagement. The IG Act provides protections to IGs’ organizational independence through key provisions that require specified IGs, including the NASA IG, to be appointed by the President with the

<sup>5</sup>Pub. L. No. 109-155, 119 Stat. 2895 (Dec. 30, 2005).

<sup>6</sup>The NASA centers are Ames Research Center, Dryden Flight Research Center, Glenn Research Center, Goddard Space Flight Center, Johnson Space Center, Kennedy Space Center, Langley Research Center, Marshall Space Flight Center, and Stennis Space Center.

advice and consent of the Senate. This appointment is required to be without regard to political affiliation and is to be based solely on an assessment of the candidate's integrity and demonstrated ability. Such presidentially appointed IGs can only be removed from office by the President who must communicate the reasons for removal to both houses of the Congress. The current NASA IG was appointed by the President on April 16, 2002, after Senate confirmation. In addition to the IG, the Deputy IG, and the Executive Officer, the OIG is organized into four offices to provide oversight of NASA, as shown in table 2.

**Table 2: NASA OIG Offices and Responsibilities**

Offices	Responsibilities
Office of Audits	Responsible for financial and performance audits and other reviews to examine NASA activities, programs, operations, and organizations, and to focus on whether programs are organized, managed, and implemented economically, effectively, and efficiently; funds are expended in a manner consistent with laws, regulations, and policies; desired program results are achieved; and management controls are in place to prevent crimes, fraud, waste, abuse, and mismanagement.
Office of Investigations	Responsible for an investigations program to detect and deter crimes, fraud, waste, abuse, and mismanagement. This includes investigations of allegations of crime, cybercrime, fraud, abuse, or misconduct having an impact on NASA programs, operations, and resources.
Office of Management and Planning	Responsible for assembling the NASA OIG's strategic plans; handling personnel matters, including recruiting and performance management; and preparing budget estimates and resource needs.
Counsel to the Inspector General	Prepares legal reviews of statutes and regulations that apply to the work of the OIG's auditors and investigators, and addresses personnel matters and other legal matters affecting the office.

Source: NASA OIG.

As a presidentially appointed IG, the NASA IG is a member of the PCIE, which together with the ECIE, operates a joint Integrity Committee that is empowered to investigate allegations of wrongdoing against IGs and certain members of their staff. The Inspector General Reform Act of 2008,<sup>7</sup> enacted on October 14, 2008, authorizes a new statutory Council of the Inspector General on Integrity and Efficiency which is to have its own Integrity Committee with powers similar to the PCIE and ECIE Integrity Committee and disestablishes the PCIE and ECIE effective on the earlier of the creation of the new Council, or 180 days after the passage of the Act. As of the date of this report the new Council has not yet been

<sup>7</sup>Pub. L. No. 110-409, 122 Stat. 4302 (Oct. 14, 2008).

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established, and the PCIE, ECIE, and their Integrity Committee continue operation.

Since 1990, we have periodically reported on government operations that we have designated as high risk because of their greater vulnerabilities to fraud, waste, abuse, and mismanagement as well as challenges to economy, efficiency, or effectiveness.<sup>8</sup> In January 2007, we identified 27 high-risk areas across the federal government. These included high-risk areas applicable to NASA that had been reported in prior high-risk reports. We specifically identified NASA's contract management as a high-risk area because of weaknesses in NASA's integrated financial management system. For example, we have reported that NASA's contractor cost reporting process does not provide cost information that program managers and cost estimators need to develop credible estimates and compare budgeted and actual cost with the work performed. Also, NASA has lacked a modern financial management system to provide accurate and reliable information on contract spending and placed little emphasis on product performance, cost controls, and program outcomes. On a governmentwide basis, we also identified protecting the federal government's information systems and strategic human capital management across the executive branch as high-risk areas.

Beginning in 1997, the IGs were asked by congressional leaders to identify the 10 most serious management problems in their respective agencies. The request began a yearly process that continues in response to requirements established in the Reports Consolidation Act of 2000.<sup>9</sup> This act calls for executive agencies, including NASA, to report their IGs' lists of significant management challenges in their annual performance and accountability reports to the President, OMB, and the Congress. In fiscal years 2006 and 2007, the NASA OIG identified management challenges that included areas also identified in our high-risk reports and in the additional areas of financial management, space operations and exploration, and safety and security.

The OIG has identified NASA's Integrated Enterprise Management Program as key to improving NASA's ability to provide reliable information to management, support compliance with federal requirements, and strengthen the internal control program to address

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<sup>8</sup>GAO, *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: January 2007).

<sup>9</sup>Pub. L. No. 106-531, 114 Stat. 2537 (Nov. 22, 2000).

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continuing problems, such as NASA's internal control weaknesses over property, plant, and equipment and materials. Regarding space operations and exploration, the OIG has identified the transition from the space shuttle to the next generation of space vehicles as a management challenge as NASA balances schedule and resource constraints while maintaining the capabilities required to fly the space shuttle and simultaneously developing the next generation of space vehicles. In the area of safety and security the OIG has identified NASA's need to manage risk, safety, and mission assurance controls to ensure reliable operations in the context of aggressive launch and mission schedules, funding limitations, and future uncertainties as management challenges.

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## NASA OIG Provides Limited Monetary Accomplishments from Audits

The IG Act requires independent IG offices to provide leadership on issues of economy and efficiency and to report on the effectiveness of programs, offices, and activities within their respective agencies. The NASA OIG's Office of Audits provides financial and performance audits and other reviews to examine NASA's operations.<sup>10</sup> The NASA OIG has conducted audit activity in most high-risk areas identified by us and the management challenges identified by the OIG for fiscal years 2006 and 2007. In addition to audits, the NASA OIG reported closing 153 investigative cases during fiscal years 2006 and 2007 in response to allegations of fraud, waste, and abuse. In providing audit coverage, the NASA OIG has generally not focused on audits with recommendations for improving the economy and efficiency of NASA's programs and operations with potential monetary savings. For example, during fiscal years 2006 and 2007 the OIG had one audit with recommendations with potential monetary savings.

During the 5-year period of fiscal years 2003 through 2007, 99 percent of NASA OIG's dollar accomplishments came from investigations with 88 percent coming from two joint investigations with other OIGs. The remaining 1 percent of the monetary accomplishments reported by the NASA OIG during this 5-year period was from audits. We believe that improvements to the OIG's strategic and annual audit planning could help

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<sup>10</sup>A financial audit provides an independent assessment of and reasonable assurance about whether an entity's reported financial condition, results, and use of resources are presented fairly in accordance with recognized criteria. A performance audit is an engagement that provides assurance or conclusions based on an evaluation of sufficient appropriate evidence against stated criteria, such as specific requirements, measures, or defined business processes.

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to ensure that audits with an emphasis on NASA's economy and efficiency through potential cost savings are included in its annual audit activities.

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## Audit Coverage of High Risk Areas and Management Challenges

Over fiscal years 2006 and 2007 the NASA OIG's Office of Audits reported having completed 71 reports. Of these, the NASA OIG issued 13 audit reports in fiscal year 2006 and 20 audit reports in fiscal year 2007 on high-risk areas identified by us, and on NASA's management challenges identified by the OIG. As shown in table 3, multiple NASA OIG audit reports were completed in most of the areas designated as high risk and as management challenges with the exception of asset management and human capital. Most of the OIG's reports were in the areas of information technology security, contract management, and financial management. In contrast, the area of asset management had one report, and there were no audits of human capital issues even though these areas are both among GAO high-risk areas and NASA's management challenges. (The OIG is currently auditing an issue of asset management and has plans to address an issue of NASA's human capital.)

In addition, the NASA OIG's audit reports also addressed areas not identified as high-risk areas or management challenges. These included quality control reviews of the audits of federal award recipients by nonfederal auditors to ensure that these audits are performed in compliance with government auditing standards.<sup>11</sup> In addition, while the OIG's audit policy is to complete audits using *Government Auditing Standards* and the IG Act requires that all NASA OIG audits be completed using these standards, 25, or approximately 35 percent, of the OIG's 71 reports completed by the NASA OIG Office of Audits were completed without using these standards. Those reports included transmittal letters and information without a statement of compliance with auditing standards. Consequently, we did not consider these reports as part of the OIG's audit coverage for high-risk areas and management challenges.

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<sup>11</sup>Federal awarding agencies such as NASA have responsibilities under OMB Circular No. A-133, *Audits of States, Local Governments, and Non-profit Organizations*, to conduct these quality control reviews.

**Table 3: NASA OIG Audit Coverage of High-Risk Areas and Management Challenges in Fiscal Years 2006 and 2007**

GAO high-risk areas for 2005 <sup>a</sup> and 2007 <sup>b</sup>	Management challenges and issues identified by NASA OIG in 2006 and 2007 <sup>c,d</sup>	NASA OIG reports		
		FY 2006	FY 2007	Total reports
Protecting the federal government's information systems	Information Technology & Security	5	3	8
NASA contract management issues caused by weaknesses in the integrated financial management system	Contractor performance oversight, acquisition and contracting processes	4	4	8
Managing federal real property	Asset management	0	1	1
Strategic human capital management	Human capital issues related to NASA's transition to next generation of space vehicles	0	0	0
	Financial management, systems, analyses, and oversight	1	9	10
	Space Operations & Exploration	1	2	3
	Safety and Security—space shuttle safety, operational and safety risks	2	1	3
<b>Total audits of high-risk areas and management challenges</b>		<b>13</b>	<b>20</b>	<b>33</b>
Quality control reviews <sup>e</sup>		5	4	9
Other areas covered by audits		2	2	4
Audit products not using <i>Government Auditing Standards</i>		15	10	25
<b>Total audit products</b>		<b>35</b>	<b>36</b>	<b>71</b>

Sources: GAO's 2007 and 2005 High-Risk Series and NASA OIG's fiscal year 2006 and 2007 audit reports.

<sup>a</sup>GAO, *High-Risk Series: An Update*, [GAO-05-207](#) (Washington, DC.: January 2005).

<sup>b</sup>GAO, *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, DC.: January 2007).

<sup>c</sup>NASA's *Performance and Accountability Report*, fiscal years 2006 and 2007.

<sup>d</sup>NASA's *Most Serious Management and Performance Challenges*, fiscal years 2006 and 2007.

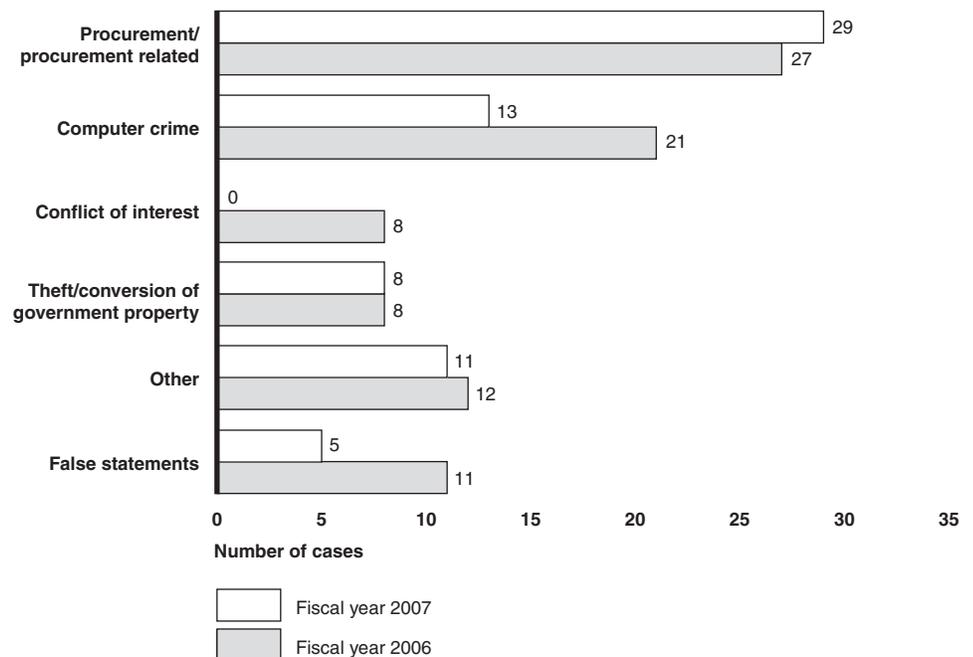
<sup>e</sup>Reviews required by OMB Circular No. A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

## Investigative Coverage from Closed Cases

In addition to audits, the NASA OIG reported closing 153 investigative cases during fiscal years 2006 and 2007 in response to allegations of fraud, waste, and abuse. The OIG's Office of Investigations investigates allegations of crime, cybercrime, fraud, waste, abuse, and misconduct that could affect NASA's programs, projects, operations, and resources. The Office of Investigations refers its findings either to the Department of Justice for criminal prosecution and civil litigation or to NASA management for administrative action. In addition, the Office of Investigations identifies crime indicators and recommends measures for NASA management that are designed to reduce NASA's vulnerability to criminal activity.

The OIG's closed cases focused on NASA procurements or procurement activities and investigations of computer crimes. (See fig. 1.) In addition, there were investigations of conflicts of interest, large-scale thefts of government property, and false statements. Other investigations included safety, state and local crimes, travel card fraud, and drug abuse.

**Figure 1: NASA OIG Investigations Closed During Fiscal Years 2006 and 2007**



Source: GAO analysis of NASA OIG closed investigative file data.

Note: The types of investigations may include multiple categories. Also, other closed cases include investigations of safety, state and local crimes, travel card fraud, and drug investigations.

## NASA OIG's Monetary Accomplishments Are Largely from Investigations

Statutory OIGs subject to the IG Act, including the NASA OIG, are required to report the monetary value of certain findings and recommendations in their semiannual reports provided by the OIGs through their agency heads to the Congress. As required, the NASA OIG's semiannual reports for fiscal years 2003 through 2007 included the number of audit reports issued and the questioned costs, unsupported costs, and funds to be put to better use identified by the OIG's audits. As defined by the IG Act, questioned costs include either alleged violations of laws, regulations, contracts, grants, or agreements; costs not supported by adequate documentation; or the expenditure of funds for an intended purpose that was unnecessary or unreasonable. In addition, unsupported costs are defined as costs that do not have adequate documentation, and funds to be put to better use are inefficiencies identified by the OIG in the use of agency funds. These are often potential savings to the government.

The monetary accomplishments of the NASA OIG's Office of Investigations are largely from closed investigations that result in recoveries of federal dollars which include fines and court ordered restitutions regarding individuals and contractors who have defrauded the government. As shown in table 4, almost all of the NASA OIG's monetary accomplishments have come from investigations during fiscal years 2003 through 2007.

**Table 4: NASA OIG's Reported Monetary Accomplishments and Return per Budget Dollar for Fiscal Years 2003 through 2007**

Fiscal year	Monetary accomplishments	Dollar return on NASA's OIG budget
2007	\$12,103,809	\$0.36 (43 percent from investigations 57 percent from one audit)
2006	\$657,116,285	\$19.91 (Over 99 percent from investigations 94 percent from one investigation)
2005	\$12,866,383	\$0.39 (100 percent from investigations \$0.00 audit accomplishments)
2004	\$10,361,564	\$0.35 (86 percent from investigations 14 percent from one audit)
2003	\$131,985,231	\$4.55 (Over 99 percent from investigations 84 percent from one investigation)

Source: NASA OIG.

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In fiscal year 2006 the OIG reported the results of a joint investigation with the Department of Defense and Department of Justice OIGs that had total recoveries of \$615 million from a settlement with the Boeing Company regarding criminal and civil allegations. Also, in fiscal year 2003 the OIG reported another joint investigation with recoveries of about \$111 million. The results of these two investigations alone account for 88 percent of the NASA OIG's reported total monetary accomplishments of over \$824 million from both audits and investigations over fiscal years 2003 through 2007. The total monetary accomplishments from OIG investigations for this period were \$815 million, or 99 percent of all reported OIG monetary accomplishments. In contrast, over the same 5-year period the OIG's potential audit savings contributed about \$9 million or about 1 percent of the OIG's total reported 5-year monetary accomplishments, with one audit in fiscal year 2007 responsible for \$7 million of this amount and another audit in fiscal year 2004 responsible for about \$1.5 million. Therefore, approximately 94 percent of all NASA OIG audit monetary accomplishments reported over the 5-year period came from the results of two audits. In addition, during the 1-1/2-year period from April 1, 2004, through September 30, 2005, the OIG reported no monetary accomplishments from its audit activity.

A comparison of the OIG's fiscal year 2007 total budgetary resources of \$34 million to its reported combined monetary accomplishments for that year results in a return of \$0.36 for each budget dollar. When this same calculation is made based on the monetary accomplishments reported by all 30 OIGs with IGs appointed by the President and confirmed by the Senate, the overall average return on their total budgetary resources in fiscal year 2007 was \$9.49 for every dollar spent by the government for their offices, or almost 26 times that of the NASA OIG for fiscal year 2007. In addition, when compared to these other OIGs, the year that the NASA OIG had its largest monetary accomplishment from audits it ranked 27 out of the 28 OIG offices reporting monetary accomplishments for fiscal year 2007. (See app. I.)

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## OIG Planning Lacks Economy and Efficiency Objectives

Of the 71 reports completed by the NASA OIG's Office of Audits over fiscal years 2006 and 2007, 70 did not include recommendations that address the economy and efficiency of NASA's programs and operations with potential cost savings. The one exception to this was an OIG audit that addressed an area of NASA's economy and efficiency and resulted in about \$7 million in reported potential monetary savings. The remaining 70 reports included recommendations for improving compliance with laws, regulations, and NASA policies and procedures; internal controls; and addressed specific

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areas of NASA's operations. Nevertheless, these recommendations did not provide measurable improvements to the costs and resources used to achieve program results.

To illustrate, in fiscal year 2006 the NASA OIG audited the awards of subcontracts worth \$4.6 billion for NASA's space flight operations. The OIG found that the primary government contractor's actions had complied with requirements for competition, quality assurance, and other procurement regulations, but also found examples of inadequate pricing determinations. The report recommended that the NASA contracting officer ensure compliance with contract agreements and procurement regulations but did not include recommendations to help ensure that this area will be effective or efficient in the future and did not identify any measurable cost savings to the government resulting from inadequate pricing. In addition, over the 2-year period we reviewed there were no OIG audits with recommendations to increase the economy and efficiency of NASA's space flight operations with identified cost savings even though the IG had identified this program as one of NASA's management challenges.

The OIG's annual audit plan addresses NASA's programs in high-risk areas and management challenges but does not have a strategy to deal with economy and efficiency associated with these NASA programs. The OIG's strategic plan and annual audit plans do not identify goals and audit objectives related to evaluating NASA's programs and operations through economy and efficiency audits. The OIG's annual audit plans for fiscal years 2006 and 2007 provided details on the objectives of each individual audit; however, similar to the results that we found for the OIG's audits, the objectives of the audits in these plans were not directed at audits that might result in measurable cost savings. A subsequent revision of the fiscal year 2007 audit plan also had no specific objectives for addressing NASA's economy and efficiency.

In addition, through limited scope audits of compliance as well as investigations, the OIG addresses allegations received. To illustrate, OIG auditors and investigators are often assigned reviews of allegations or other assignments received from the OIG's Senior Staff Referral Review Committee (SSRRC). The SSRRC was established by the NASA IG in the fall of 2005 to act as a clearinghouse for allegations and to review all work planned for OIG staff. The SSRRC is composed of the Assistant IG for Investigations, the Deputy Assistant IG for Audits, the OIG Counsel, and the IG's Executive Officer. The SSRRC meets once a week to coordinate audit and investigative assignments, review fraud hotline information,

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review letters with allegations, and decide on where to assign the work. Generally, if the issues involve wrongdoing by NASA employees or contract fraud the OIG investigators will handle the cases. The OIG auditors are generally assigned limited scope procurement issues and issues that involve violations of NASA regulations. Issues involving standards of conduct or personnel matters will generally be referred to NASA management.

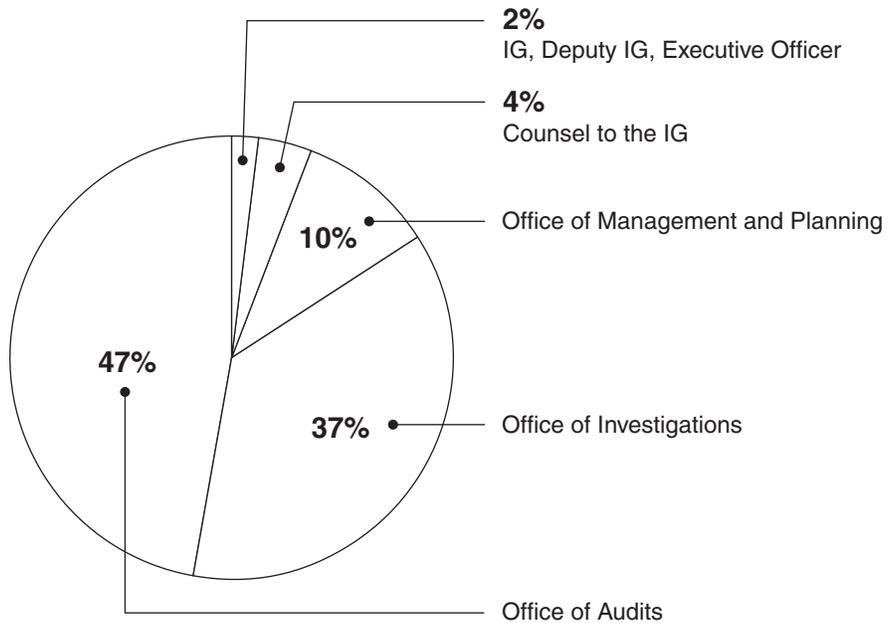
The NASA OIG's limited monetary accomplishments from its audit activity can be attributed to (1) the lack of emphasis in its annual audit plan on goals and objectives for areas to improve economy and efficiency of NASA's programs and operations and (2) the OIG's focus on reviews of allegations and limited scope issues in a reactive approach to audit planning through assignments from the SSRRC, which can encroach on the ability to assign staff needed for other performance audits that can address potential dollar savings. We believe that the OIG can improve its audit plans by providing more specific attention to performance audits that address the economy and efficiency of NASA's programs and operations, and that the OIG should consult with an objective, knowledgeable outside party with experience in these types of audits when completing these plans.

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## NASA OIG's Budgets and Staffing

From fiscal year 2003 through fiscal year 2007, the NASA OIG's total budgetary resources increased by approximately 17 percent, from approximately \$29 million to \$34 million in constant dollars, while the FTEs increased 4 percent, from 191 to 199. Of the 199 FTEs at the end of fiscal year 2007, 47 percent were in the Office of Audits, 37 percent in the Office of Investigations, 10 percent in the Office of Management and Planning, and 4 percent and 2 percent, respectively, for the Counsel to the IG and the IG's immediate office. (See fig. 2.)

**Figure 2: Distribution of NASA OIG Staff for Fiscal Year 2007**



Source: NASA OIG.

A comparison of NASA OIG's total budgetary resources with NASA's total budgetary resources shows that the OIG's budget as a percentage of NASA's budget has increased. In addition, NASA OIG's staffing levels have increased while NASA's staffing level has decreased. During fiscal years 2003 through 2007, NASA's overall total budgetary resources increased by about 4 percent, compared with the OIG's budgetary resources, which increased by about 17 percent. Therefore, the NASA OIG's total budgetary resources as a percentage of NASA's total budgetary resources increased from 0.15 percent to 0.17 percent. (See table 5.) During that same period, NASA's FTEs decreased by approximately 2.7 percent, compared with the OIG's FTE increase of about 4 percent.

**Table 5: NASA OIG and NASA Budgets and FTEs, Fiscal Years 2003 through 2007**

Fiscal year	NASA's total budgetary resources (dollars in millions)	NASA OIG's total budgetary resources (dollars in millions)	NASA OIG's total budgetary resources as a percentage of NASA's total budgetary resources	NASA's FTEs (on board staff)	NASA OIG's FTEs (on board staff)	NASA OIG's authorized FTEs
2007	\$20,011	\$34	0.17	18,212	199	213
2006	20,315	33	0.16	18,280	199	213
2005	20,121	33	0.16	18,807	183	213
2004	20,743	30	0.15	18,821	189	213
2003	19,254	29	0.15	18,709	191	213

Source: GAO analysis of OMB and NASA OIG data.

Note: Budgetary resources are in constant 2007 dollars.

When NASA OIG's budget-to-agency-budget ratio is compared to this same ratio for other OIGs in which the IG is appointed by the President with Senate confirmation, the percentages vary depending on the size of the federal agencies, their missions, and the oversight issues emphasized by each OIG. Such a comparison for fiscal year 2007 budgets indicates that the ratio of the NASA OIG's total budgetary resources to the total budgetary resources for NASA was within the range of these percentages for other OIGs and their agencies. Specifically, the comparison of these other OIGs' budgets with those of their agencies ranged from 0.005 percent to 1.10 percent, and the NASA OIG's percentage of NASA resources was at 0.17 percent, which ranks 11th of these 30 agencies. (See app. II.)

Regarding staffing levels, we obtained the attrition rates for the NASA OIG for fiscal years 2003 through 2007. Attrition is the percentage of personnel losses for all reasons during the fiscal year, and is measured by comparing personnel losses during the year to the total personnel strength on board at the beginning of the year. The staff attrition rate for NASA OIG has increased over the 5-year period from 12.4 percent in 2003 to 19.9 percent in 2007. Specifically, the NASA OIG had losses of 24 personnel in fiscal year 2003 compared to a loss of 40 personnel in fiscal year 2007, an increase of approximately 67 percent. (See table 6.) As a comparison, the overall attrition rate for NASA was about 5 percent in both fiscal years 2006 and 2007.

From fiscal years 2003 through 2007, the NASA OIG lost 157 staff. These losses affect the ability of the OIG to maintain experienced audit personnel. To illustrate this effect on the Office of Audits, we compared

the audit staff on board in January 2003, shortly after the current IG took office, to the audit staff on board in March 2008. Of the 78 auditors on board in January 2003, 42 auditors have left the OIG audit directorate, including 9 of the 10 management-level auditors. Those leaving included all but one of the audit directors, the Assistant IG for Audits, and 2 deputy assistant IGs for audits. We did not review the reasons for the OIG’s employee turnover but believe that the OIG would benefit from a review by an objective third-party expert to address the reasons for the relatively high attrition rate as compared to the overall rate for NASA.

**Table 6: NASA OIG Attrition Rates for Fiscal Years 2003 through 2007**

Fiscal year	Beginning of year personnel strength <sup>a</sup>	Gains	Losses	End of year personnel strength <sup>a</sup>	Attrition rate
2003	194	21	24	191	12.4
2004	191	21	26	186	13.6
2005	186	37	35	188	18.8
2006	188	45	32	201	17.0
2007	201	40	40	201	19.9

Sources: NASA OIG.

<sup>a</sup>Actual personnel on board.

## External Reviews of NASA OIG and the Integrity Committee’s Investigation

Over the 5-year period of fiscal years 2003 through 2007, NASA OIG had three routine external peer reviews—two reviews of its auditing practice and one review of its investigative practice. The NASA OIG also had a nonroutine external review performed by the Integrity Committee of PCIE and ECIE completed in fiscal year 2007 as a result of concerns about the management practices and conduct of NASA’s IG.

## Routine Peer Reviews

*Government Auditing Standards* requires audit organizations that perform audits in accordance with the standards to have external peer reviews on a routine basis, at least once every 3 years. Those reviews are to be performed by reviewers independent of the audit organization. In the federal IG community, other federal IGs perform these peer reviews. The purpose of the peer review is to conclude whether the audit organization has a system of quality control that is suitably designed and implemented in order to provide reasonable assurance of conforming to applicable

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professional standards. In addition, for investigations, the Homeland Security Act of 2002<sup>12</sup> amended the IG Act to require that each OIG with investigative or law enforcement authority under the act have its investigative function reviewed periodically by another IG office.

For peer reviews of the audit practices,<sup>13</sup> the external reviewers concluded that NASA OIG's system of quality control for the audit function provided reasonable assurance of material compliance with professional auditing standards. The peer review of the NASA OIG's investigative function<sup>14</sup> concluded that the system of internal safeguards and management procedures for the Office of Investigations was in full compliance with the quality standards established by PCIE and ECIE and the Attorney General's investigation guidelines.

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## Integrity Committee's Investigation

The NASA OIG also had a nonroutine external review completed in fiscal year 2007 as a result of serious concerns that had been raised about the management practices and conduct of the IG. At the request of the Integrity Committee of PCIE and ECIE, the Department of Housing and Urban Development's (HUD) OIG conducted an investigation into the allegations of possible misconduct by the NASA IG. The Integrity Committee initiated the investigation through a request letter to the HUD OIG dated January 6, 2006, and forwarded 18 complaints with 79 separate allegations regarding actions of the NASA IG to the HUD OIG investigators.

The HUD OIG submitted the results of its investigation for the Integrity Committee's consideration on August 30, 2006. In a January 22, 2007, letter to the OMB Deputy Director for Management who serves as the Chair of both PCIE and ECIE, the Integrity Committee concluded that (1) the NASA IG had engaged in abuse of authority by creating an abusive work environment and (2) the NASA IG's actions in two instances created an appearance of a lack of independence. In addition, the Integrity Committee stated that the IG had sought to develop and maintain a close

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<sup>12</sup>Pub. L. No. 107-296, § 812, 116 Stat. 2135, 2223 (Nov. 25, 2002).

<sup>13</sup>The Department of Justice OIG issued its peer review report of the NASA OIG on January 8, 2004, and the General Services Administration OIG completed the subsequent peer review and reported on March 13, 2007.

<sup>14</sup>Department of Transportation OIG conducted the peer review of NASA OIG's investigative practice and issued its report on July 8, 2005.

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relationship with the former NASA Administrator and that this effort contributed to an appearance that his independence was being compromised. However, the Integrity Committee offered no recommendations for corrective actions in their letter.

Executive Order 12993 entitled *Administrative Allegations Against Inspectors General* provides guidance to address investigations of alleged IG wrongdoing. Under this guidance the Integrity Committee is responsible for deciding whether the investigative report prepared at its request establishes any administrative misconduct within its oversight jurisdiction. If in the Integrity Committee's opinion the report establishes such issues or otherwise requires action, the report is referred to the Chair of PCIE and ECIE with recommendations for appropriate action. The Integrity Committee advised us that they had not believed it necessary to include specific recommendations in this case due to the extent of the findings and the presumption that the Chair of PCIE and ECIE would take disciplinary action commensurate with these findings.

In accordance with the Executive Order, the Chair of PCIE and ECIE advised the NASA Administrator to determine the appropriate actions to address the investigation's conclusions. The NASA Administrator proposed to the Chair that the NASA IG attend the Federal Executive Institute to develop a leadership and management training plan, attend at least one management/leadership program annually, obtain the services of an executive coach, and meet with the Deputy NASA Administrator on a bimonthly basis to discuss implementation of the leadership and management plan as well as the NASA IG's professional growth. The NASA Administrator also stated that the proposed actions would resolve any concerns he had after reviewing the Integrity Committee's report of investigation.

Reacting to the NASA Administrator's response, the Integrity Committee expressed its view in a March 20, 2007 letter to the Chair of PCIE and ECIE that the proposed actions were inadequate to address the investigation's conclusions. Specifically, the Integrity Committee stated that "[a]ll members of the committee believed the proposed course of action recommended by the Administrator of NASA was inadequate to address the conduct of [the IG]. All members of the committee further believed that disciplinary action up to and including removal could be appropriate."

In a follow-up letter dated March 29, 2007, the NASA Administrator reaffirmed his belief that his proposed actions were adequate. With

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respect to the appearance of a lack of impartiality he stated that he and the IG had a professional arms-length relationship and that he did not believe that additional corrective measures were necessary. In a letter also dated March 29, 2007, the Chair of PCIE and ECIE asked the Integrity Committee for confirmation on several matters including that its members (1) had not concluded that the IG had broken any laws or acted illegally; (2) had no uniform view on what actions would be appropriate to address its concerns regarding the IG; (3) that it was not now recommending removal of the IG as a disciplinary action; and (4) that the January 22, 2007, letter to the PCIE and ECIE Chair had not contained recommendations on this matter. That same day, the Chair of the Integrity Committee confirmed that the PCIE and ECIE Chair's understanding accurately reflected the intent of the Integrity Committee. In accordance with the discretion afforded in the Executive Order and the related implementing guidance, on April 18, 2007, the Chair of PCIE and ECIE advised the Chair of the Integrity Committee to consider the actions in the NASA Administrator's March 29, 2007, letter as constituting the final disposition of the investigation. In line with the Executive Order, the Integrity Committee informed the NASA IG that their review was complete and that the case is considered closed.

Notwithstanding the formal process outlined by the Executive Order, the Integrity Committee confirmed in a written response to our questions, its continued concern that the actions taken regarding the appearance of a lack of independence were insufficient. In the same response, the Integrity Committee stated that the views expressed in its March 20, 2007, letter remain unchanged and that the NASA IG's lack of an appearance of independence was not resolved by the actions proposed by the NASA Administrator.

In late March 2007, both the Chairman of the Subcommittee on Space, Aeronautics, and Related Matters, Senate Committee on Commerce, Science and Transportation, and the Chairman of the Subcommittee on Investigations and Oversight, House Committee on Science and Technology, received a copy of the Integrity Committee's report of investigation. In their letter of April 2, 2007, to the President of the United States, the Chairmen requested that the President remove the NASA IG from office based on the results of the investigation. The letter states that the committees and the public are not receiving useful assistance from the NASA IG, one of their primary tools for oversight, and that the NASA IG can no longer be effective in his office and should be replaced immediately.

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In prepared testimony on June 7, 2007, before a joint hearing between the Subcommittee on Space, Aeronautics, and Related Sciences, Senate Committee on Commerce, Science and Transportation, and the Subcommittee on Investigations and Oversight, House Committee on Science and Technology, the NASA IG disputed the findings of the Integrity Committee investigation by calling the allegations unjustified and the investigation flawed. The IG pointed out his views regarding possible mistakes by the investigators, and provided arguments to explain his actions regarding many of the allegations investigated. In this joint hearing members of both the House and the Senate called for the IG to resign.

Independence is the cornerstone of professional auditing. The IG Act requires that IGs comply with *Government Auditing Standards*, which specifies that auditors and audit organizations be free from personal, external, and organizational impairments and avoid the appearance of such impairments to independence. Auditors and audit organizations must maintain independence so that their opinions, findings, conclusions, judgments, and recommendations will be impartial and, just as important, viewed as impartial by objective third parties with knowledge of the relevant information.

*Quality Standards for Federal Offices of Inspector General* issued by PCIE and ECIE include requirements for IGs to be objective with an obligation to be impartial, intellectually honest, and free of conflicts of interest. Independence is considered by these standards to be a critical element of objectivity, and without independence both in fact and in appearance, objectivity is impaired.

As noted above, the absence of actions to address the perceived lack of independence can perpetuate concerns regarding the IG's objectivity in dealing with IG responsibilities related to audits and investigations. Given the importance of IG independence both in fact and appearance and the lack of any corrective actions to fully resolve this matter, we believe that additional follow up and recommendations by the Integrity Committee are warranted related to its investigative finding dealing with the NASA IG's appearance of a lack of independence.

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## Conclusions

The fundamental mission of the NASA OIG includes providing independent and objective oversight of NASA to identify areas for improved economy, efficiency, and effectiveness, and to detect and prevent fraud, waste, and abuse. While the OIG has conducted audits in areas of high risk and management challenges and provided the results of investigations, the OIG's monetary accomplishments from its audit

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activities have been limited by a lack of audits to evaluate the economy and efficiency of NASA's programs and operations that result in recommendations for measurable cost savings.

The NASA OIG's monetary accomplishments and recommendations in the areas of economy and efficiency significantly lag behind the accomplishments and return on investment of the federal OIG community as a whole. A reevaluation of audit planning and methods within NASA's OIG is needed to include audits that hold NASA accountable for its stewardship of public funds through independent audits and investigations that include recommendations for economy and efficiency. Due to the importance of this issue, we believe that a reexamination of the audit strategy and planning approach within the OIG can best be accomplished with the assistance of an objective outside party with experience in these types of audits.

The OIG's budgets and staffing levels have not been adversely affected when compared to both the NASA budgets and staffing and to the budgets of other OIGs. However, the effectiveness of the OIG can be negatively affected by an environment of high staff turnover, which has especially affected audit management staff. The reasons for the relatively high rate and recent increases in employee turnover should be examined by an objective expert so that any underlying issues can be addressed and the NASA OIG can effectively meet its mission of providing objective and reliable information.

The independence of the IG is central to the effectiveness of the IG's office. The Integrity Committee, which has the authority to make recommendations regarding the outcomes of its investigations, considers the actions taken by the NASA Administrator to be insufficient, that the NASA IG's lack of an appearance of independence is not resolved, and that the views expressed in its letter of March 20, 2007, are unchanged. Because independence is fundamental to effective oversight and professional auditing, we believe that additional follow up actions are warranted related to the Integrity Committee's findings dealing with the appearance of a lack of independence on the part of NASA's IG.

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## Recommendations for Executive Action

In order to strengthen audit oversight and management of the NASA OIG, we recommend that the NASA IG

- include in strategic and annual planning, performance audits that address NASA's economy and efficiency with potential monetary

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savings and that the OIG work closely with an objective outside party to obtain external review and consultation in the strategic and annual planning processes, and

- identify the causes of high employee turnover with the assistance of an objective expert, and determine actions needed as appropriate.

In order to resolve the matter regarding the appearance of independence of the NASA IG, we recommend that the Integrity Committee

- follow up regarding its investigative finding regarding the NASA IG's appearance of a lack of independence and make any recommendations needed.

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## Agency Comments and Our Evaluation

In written comments on a draft of our report, the NASA IG expressed widespread disagreement with our conclusions and recommendations and questioned the depth and scope of our evaluation. We disagree with the IG and in the following paragraphs reaffirm our conclusions and recommendations. We augmented our discussions of the scope and methodology of our work and expanded the evidentiary matter in the body of this report for issues related to the Integrity Committee's investigation and the monetary accomplishments reported by the NASA OIG over fiscal years 2003 through 2007. We rebut what we consider the most important aspects of his disagreement in this section of the report. In addition, please refer to the appendix section of this report following our reprint of the IG's comments (see app. IV) in which we rebut or clarify other less material matters.

The Integrity Committee limited its comments to matters in our draft report concerning the committee's investigation of allegations against the NASA IG. The Integrity Committee restates its determination that actions taken by NASA regarding the appearance of a lack of independence findings were insufficient, states that the Integrity Committee has no power to compel any particular action, and suggests that we should present our recommendation to the Chair of PCIE and ECIE. However, we see nothing in the guidance in Executive Order 12993 to prohibit the Integrity Committee from making recommendations to the Chair of PCIE and ECIE regarding its investigative finding which has not been fully resolved. Therefore, we reaffirm our recommendation to the Integrity Committee. (See app. III.)

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## Integrity Committee Investigation

In the written comments, the NASA IG stated that the Integrity Committee investigation of allegations against him was a closed matter. He

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emphasized that the Integrity Committee's views regarding the independence matter were from a historical perspective and that there was nothing to suggest that the appearance of a lack of independence was an ongoing issue. Further, he stated that the Integrity Committee had not included any recommendations in its report and that therefore, nothing is unresolved.

The IG commented that we had ignored the documented final disposition of this matter in the PCIE and ECIE Chair's April 18, 2007 letter, and that we had selectively included or excluded information to suggest that a closed matter is still open. We fully understand that the formal investigation has run its course, and we have added discussion to the body of the report to reflect the documented interactions among the Chairman of PCIE and ECIE, the Integrity Committee, the NASA Administrator, and the NASA IG. Our report acknowledges that the Integrity Committee did not make any specific recommendations to address either the investigative findings of an abusive work environment or the perception of a lack of independence. However, despite the PCIE and ECIE Chair's acceptance of the actions proposed by the NASA Administrator and closure of the case, the Integrity Committee stated in response to our questions, that the actions were not adequate to resolve the investigative conclusion that the IG lacked an appearance of independence.

As discussed in our report, the Integrity Committee told us that it did not include recommendations for corrective actions in its January 22, 2007, letter to the Chair of PCIE and ECIE regarding the results of its investigation because of the extent of the findings and a presumption that the Chair of PCIE and ECIE would take disciplinary action commensurate with these findings. These concerns are captured in the Integrity Committee's March 20, 2007, letter to the Chair of PCIE and ECIE, which stated that "[a]ll members of the committee further believed that disciplinary action up to and including removal, could be appropriate."

Given the Integrity Committee's documented dissatisfaction with the corrective actions and that no actions we are aware of address the independence issue, we disagree that this matter has been fully resolved. Objective third parties with knowledge of the relevant information including that of the Integrity Committee's investigation; the lack of actions to attempt to change perceptions; and the Integrity Committee's continuing concern, expressed in a written response to our questions, that the actions taken were inadequate; could conclude that the appearance of independence issues have not been resolved. As a result, the decisions and actions of the IG may not be fully accepted as a basis for policy or other

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changes. This perspective is illustrated by the stances taken by the leadership of NASA's oversight committees. As noted in the body of the report, in their joint letter dated April 2, 2007, the Chairman of the Subcommittee on Space, Aeronautics, and Related Matters, Senate Committee on Commerce, Science and Transportation, and the Chairman of the Subcommittee on Investigations and Oversight, House Committee on Science and Technology, requested that the President of the United States remove the NASA IG from office based on the results of the Integrity Committee's investigation. The letter states that the oversight committees and the public are not receiving useful information from the NASA IG, one of their primary tools for oversight, and that the IG can no longer be effective in his office and should be replaced.

The Integrity Committee commented that it could not concur with our recommendation because it lacked the authority to compel any particular corrective action. However, our recommendation to the Integrity Committee does not call for it to compel the corrective action, but rather to exercise its authority as allowed in Executive Order 12993 and acknowledge the concerns of its own members and make appropriate recommendations to the Chair of PCIE and ECIE for corrective action regarding its unresolved investigative finding that the NASA IG lacked an appearance of independence. The Integrity Committee confirmed its opinion that the actions taken were not sufficient and restated its opinion in the March 20, 2007 letter to the Chair of PCIE and ECIE that it supported a range of actions to be considered, up to and including removal of the NASA IG from office. Because the Integrity Committee has the authority to make recommendations within the guidance of the Executive Order, we reaffirm our report recommendation.

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## Interviews with OIG Management

Contrary to the NASA IG's statement that we failed to consult with NASA OIG's senior leadership on the important issues in this report, we met with the NASA IG and the senior OIG staff at the beginning of our review regarding our scope and methodology. We also coordinated a series of interviews through the IG's Executive Officer with the OIG senior management officials responsible for all areas addressed in our report. In all instances, we identified the purpose of our planned contacts, and the IG's Executive Officer scheduled meetings with those NASA OIG management staff who were best suited to address each matter. These included the Deputy Inspector General, the Counsel to the IG, the Assistant IG for Audits, the Assistant IG for Investigations, and the Assistant IG for Management and Planning. At the completion of our work

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we met with the NASA IG and the senior OIG staff to discuss our report findings, conclusions, and recommendations. All meetings were coordinated through the IG's office, and we were available for any input the IG may have wished to provide.

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## Audit Coverage

The NASA IG disagreed with our recommendation to revise approaches taken in audits to include in strategic and annual planning, performance audits that address NASA's program results, effectiveness, and outcomes as well as audits of economy and efficiency by working closely with an objective outside party. Specifically, the NASA IG did not agree with our conclusion that the OIG's effectiveness has been hindered by reliance on audits that do not include evaluating NASA's program economy, efficiency, and effectiveness, and result in limited monetary accomplishments. The IG Act requires that IGs address issues of economy and efficiency and provide independent audits and investigations. We have removed our concern regarding effectiveness because of the subjective nature of evaluating the OIG's efforts in this regard. However, as stated in our report, the NASA OIG had reported only one audit with recommendations for economy and efficiency and potential cost savings to the agency over fiscal years 2006 and 2007. Therefore, we have narrowed the focus of our report and our recommendation in order to address our major concern that the OIG has an insufficient number of economy and efficiency audits that result in reported monetary savings.

In addition, the IG does not believe that our conclusions regarding audit coverage are sufficiently balanced to recognize audits that are focused on areas other than economy and efficiency. Contrary to this statement, our report provides information stating that the OIG's audits have addressed areas designated as high-risk and management challenges. We also state that while the OIG's audits do not adequately address the economy and efficiency of NASA's programs and operations, they do include recommendations for improving compliance with laws, regulations, and NASA policies and procedures; internal controls; and other specific areas of NASA's operations.

The IG provided a listing of issued audit products that he said have addressed economy, efficiency, and effectiveness issues and specifically highlighted nine examples. While the report recommendations may affect the economy and efficiency of NASA's operations, none of these reports highlighted by the IG have specific recommendations to improve NASA's economy and efficiency with potential cost savings. In addition, the reports' recommendations address compliance with laws, regulations,

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policies and procedures, internal controls, and other areas. In addition, two of the highlighted reports were not audits and made no reference to professional auditing standards. To illustrate our concerns regarding the lack of OIG audit reports with recommendations for improving NASA's economy and efficiency, our report provides an example of an OIG audit regarding a NASA contractor's inadequate pricing determinations. The audit recommends that the contracting officer ensure compliance with contract agreements. However, even though the OIG had the opportunity, the report did not identify any measurable cost saving to the government resulting from the inadequate pricing and made no recommendations to help ensure that pricing determinations will be accurate in the future.

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## Monetary Accomplishments

The NASA IG states the difference between actual monetary recoveries from investigations and potential monetary accomplishments from audits. The IG comments that the results of audits are more speculative and must rely on the implementation of management to be realized. This statement acknowledges the different purposes of audits and investigations: audits can recommend improvements to future operations, and investigations tend to focus on the identification of fraudulent and illegal activities that have occurred.

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## Audit Planning

Our review found that the OIG's strategic and annual audit plans did not have goals and objectives that specifically address the economy and efficiency of NASA's programs and operations. We had recommended that the NASA IG include in strategic and annual planning, performance audits that address NASA's economy and efficiency with potential monetary savings and that the OIG work closely with an objective outside party, such as the PCIE, to obtain external review and consultation in the strategic and annual planning processes. The NASA IG stated his intent to benchmark with the PCIE community to provide assurance that audits address these areas. While this is a positive statement we continue to make our recommendation that the IG work closely with an objective outside party during the strategic and annual planning processes. However we no longer specify that the IG work with the PCIE Audit Committee on this issue.

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## Staff Attrition

The NASA IG also disagrees with our recommendation to identify the causes of high employee turnover with the assistance of an objective expert and determine actions needed as appropriate. The IG states that we did not discuss employee turnover with OIG leadership. To the contrary,

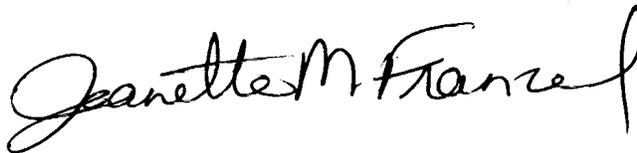
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our discussions with OIG management, both past and present, provided the information on turnover in our report and alerted us to the problem of the OIG's relatively high staff attrition rate. The IG also provides attrition rates of other agency OIGs that are all lower than that of the NASA OIG and supports our conclusion that the NASA OIG has a comparably high staff attrition rate even when compared to other OIGs. The IG also states that a number of steps have been taken to address the continuing significant turnover rates. We are encouraged that the IG is already taking steps in this area, however, because of the OIG's relatively high rate of staff attrition we are recommending that the NASA IG use the assistance of an objective expert to identify the causes of employee turnover.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days from its date. At that time we will send copies of the report to the NASA Administrator; the NASA IG; the Chairman of the Integrity Committee; the OMB Deputy Director for Management; the Chairman and Ranking Member of the Senate Committee on Commerce, Science and Transportation; interested congressional committees; and other parties. This report will also be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions or would like to discuss this report, please contact me at (202) 512-9471 or [franzelj@gao.gov](mailto:franzelj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributors to this report are listed in appendix V.



Jeanette M. Franzel  
Director  
Financial Management and Assurance

# Appendix I: Monetary Accomplishments Reported in OIGs' Semiannual Reports to the Congress for Fiscal Year 2007

	Federal agency	IG total budgetary resources	Monetary accomplishments	Dollar return on IG's budget <sup>a</sup>
1	Social Security Administration	\$92,000,000	\$4,802,207,264	\$52.20
2	General Services Administration	58,000,000	1,121,385,515	19.33
3	Department of Transportation	71,000,000	1,086,688,396	15.31
4	Department of Education	50,000,000	639,389,462	12.79
5	Department of Health and Human Services	285,000,000 <sup>b</sup>	3,537,923,000	12.41
6	Department of Housing and Urban Development	121,000,000	1,347,799,879	11.14
7	Office of Personnel Management	19,000,000	188,856,301	9.94
8	Department of Defense	221,000,000	2,083,836,000	9.43
9	Department of Veterans Affairs	74,000,000	670,200,000	9.06
10	Department of Justice	89,000,000	754,357,601	8.48
11	Department of Labor	73,000,000	561,849,158	7.70
12	Small Business Administration	21,000,000	130,177,723	6.20
13	Federal Deposit Insurance Corporation	26,000,000	116,280,993	4.47
14	Agency for International Development	51,000,000	193,342,475	3.79
15	Department of the Interior	43,000,000	142,527,564	3.31
16	Department of Energy	42,000,000	99,409,187	2.37
17	Department of Commerce	23,000,000	51,736,992	2.25
18	Department of the Treasury	19,000,000	40,257,085	2.12
19	Environmental Protection Agency	54,000,000	92,792,457	1.72
20	Corporation for National and Community Service	7,000,000	11,974,636	1.71
21	Department of State	34,000,000	52,500,036	1.54
22	Tennessee Valley Authority (TVA)	16,000,000 <sup>c</sup>	15,854,105	0.99
23	Department of Agriculture	91,000,000	81,412,378	0.89
24	Department of Homeland Security	128,000,000	100,916,585	0.79
25	Railroad Retirement Board	7,000,000	5,179,515	0.74
26	Treasury Inspector General for Tax Administration	135,000,000	54,902,108	0.41
<b>27</b>	<b>National Aeronautics and Space Administration</b>	<b>34,000,000</b>	<b>12,103,809</b>	<b>0.36</b>
28	Nuclear Regulatory Commission	10,000,000	495,065	0.05
29	Export-Import Bank of the United States	2,000,000	na <sup>d</sup>	na <sup>d</sup>
30	Central Intelligence Agency	na <sup>d</sup>	na <sup>d</sup>	na <sup>d</sup>
	<b>Total</b>	<b>\$1,896,000,000</b>	<b>\$17,996,355,289</b>	<b>\$9.49</b>

Source: GAO analysis of OMB and IG semiannual reports to the Congress for fiscal year 2007.

Note: The agencies presented are those with presidentially appointed IGs confirmed by the Senate.

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**Appendix I: Monetary Accomplishments  
Reported in OIGs' Semiannual Reports to the  
Congress for Fiscal Year 2007**

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<sup>a</sup>Dollar return on each IG's budget is calculated by dividing the total monetary accomplishments by the IG's total budgetary resources.

<sup>b</sup>Includes budget authority to combat Medicare and Medicaid fraud.

<sup>c</sup>Amounts for TVA's OIG are from PCIE's fiscal year 2007 profile data.

<sup>d</sup>Information not available.

# Appendix II: Comparison of OIGs' Budgetary Resources with Total Budgetary Resources of Their Agencies for Fiscal Year 2007

Dollars in millions

	Federal agency	IG total budgetary resources	Agency total budgetary resources	IG budget resources as a percentage of agency budgetary resources
1	Nuclear Regulatory Commission	\$10	\$910	1.10
2	Small Business Administration	21	2,869	0.73
3	Corporation for National and Community Service	7	1,154	0.62
4	Environmental Protection Agency	54	12,795	0.42
5	Agency for International Development	51	15,156 <sup>a</sup>	0.34
6	Export-Import Bank of the United States	2	730	0.27
7	Department of Justice	89	35,661	0.25
8	General Services Administration	58	24,756	0.23
9	Treasury Inspector General for Tax Administration	135	69,016	0.20
10	Department of Commerce	23	11,926	0.19
<b>11</b>	<b>National Aeronautics and Space Administration</b>	<b>34</b>	<b>20,011</b>	<b>0.17</b>
12	Department of Homeland Security	128	75,903	0.17
13	Tennessee Valley Authority	16 <sup>b</sup>	9,666	0.17
14	Department of the Interior	43	26,681	0.16
15	Department of Housing and Urban Development	121	86,641	0.14
16	Department of Energy	42	34,647	0.12
17	Department of State	34	30,954 <sup>c</sup>	0.11
18	Department of Labor	73	76,789	0.10
19	Department of Veterans Affairs	74	96,168	0.08
20	Department of Agriculture	91	131,486	0.07
21	Department of Transportation	71	121,093	0.06
22	Railroad Retirement Board	7	12,131	0.06
23	Department of Education	50	88,037	0.06
24	Federal Deposit Insurance Corporation	26	53,083	0.05
25	Department of Health and Human Services	285 <sup>d</sup>	976,749	0.03
26	Department of Defense	221	843,179	0.03
27	Social Security Administration	92	664,305	0.014
28	Office of Personnel Management	19	201,742	0.009
29	Department of the Treasury	19	413,634 <sup>e</sup>	0.005
30	Central Intelligence Agency	na <sup>f</sup>	na <sup>f</sup>	na <sup>f</sup>

Source: GAO analysis of OMB data.

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**Appendix II: Comparison of OIGs' Budgetary Resources with Total Budgetary Resources of Their Agencies for Fiscal Year 2007**

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Note: The agencies presented are those with IGs appointed by the President with Senate confirmation.

<sup>a</sup>Total budgetary resources are from the Agency for International Development's fiscal year 2007 financial report.

<sup>b</sup>Amounts for TVA's IG are from PCIE's fiscal year 2007 profile data.

<sup>c</sup>Total budgetary resources are from the State Department's fiscal year 2007 financial report.

<sup>d</sup>Includes budget authority to combat Medicare and Medicaid fraud.

<sup>e</sup>The Department of the Treasury's total budgetary resources excludes the Internal Revenue Service.

<sup>f</sup>Information not available.

# Appendix III: Comments from the Integrity Committee

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

## Integrity Committee



President's Council on Integrity and Efficiency  
Executive Council on Integrity and Efficiency

935 Pennsylvania Ave., NW, Room 3973  
Washington, D.C. 20535-0001

October 10, 2008

Ms. Jeanette M. Franzel  
Director, Financial Management and Assurance  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Re: GAO-08-1035

Dear Ms. Franzel:

Thank you for the opportunity to review and comment on the Government Accountability Office (GAO) Draft Report entitled, "Actions Needed to Improve Audit Coverage of NASA." Although not the primary focus of this GAO audit, the Draft Report also contains a brief discussion of another investigation pertaining to the NASA Inspector General (IG) which was initiated by the Integrity Committee (IC) of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE). IC members have reviewed and discussed the portion of the GAO Draft Report that concerns this other investigation. Herein, I respond on behalf of the IC as its Chair.

First, the IC notes that the contents of the report regarding the NASA IG were developed as part of another, separate GAO audit. Although the IC working group staff fully cooperated in the separate audit, the IC was not involved in the GAO review that is the subject of the Draft Report. Therefore, all information provided was not in direct relation to the subject report.

See comment 1.

**Appendix III: Comments from the Integrity  
Committee**

Ms. Jeanette M. Franzel

October 10, 2008

Based upon our review of the report, the IC does not concur with the GAO's recommendation which states:

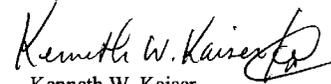
In order to strengthen the appearance of independence on the NASA IG we recommend that the Integrity Committee ... follow up on the conclusions in its report and make appropriate recommendations on actions needed to resolve its investigative finding that the NASA IG has an appearance of a lack of independence.

Charged by Executive Order (EO) 12933, the IC may receive, review, and refer for investigation allegations of wrongdoing against IGs and certain members of their staff, to the extent permitted by law and in accordance with the EO. The IC has adopted internal operating procedures to accomplish these responsibilities. The decisions regarding actions that may be taken in response to an IC investigative finding or recommendation lie with the Chair of the PCIE. Henceforth, the IC cannot concur with the aforementioned recommendation as it goes beyond the authority vested in the IC's operating procedures. The IC has no power to compel any particular action. The GAO would be better served to present this recommendation to the PCIE Chairperson.

In addition, it should be noted in the investigation of the NASA IG, the IC determined the actions taken by NASA regarding the appearance of a lack of independence findings were insufficient. The IC recommended to the PCIE Chairperson a range of further actions to consider, up to and including removal from office. Subsequently, the PCIE Chairperson found the actions taken by NASA to be sufficient. Therefore, the matter was closed by the IC as they have no authority to implement further action.

Thank you for the opportunity to comment on the report.

Sincerely,



Kenneth W. Kaiser  
Chair, Integrity Committee

1 – Honorable Clay Johnson, III, Chairman  
President's & Executive Councils on Integrity and Efficiency  
c/o United States Office of Management and Budget  
17<sup>th</sup> Street & Pennsylvania Avenue, N.W. Room 113  
Washington, D.C. 20503

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The following is GAO's comment on the Integrity Committee's letter dated October 10, 2008.

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## **GAO Comment**

### **Comment 1.**

As the Integrity Committee stated, the information related to its activities in this report was obtained in connection with our separate ongoing audit of the activities and operations of the Integrity Committee.

# Appendix IV: Comments from the Inspector General, National Aeronautics and Space Administration

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

National Aeronautics and Space Administration  
Office of Inspector General  
Washington, DC 20546-0001



October 14, 2008

Jeanette M. Franzel  
Director  
Financial Management and Assurance  
U.S. Government Accountability Office  
Washington, DC 20548

Re: NASA Office of Inspector General's Response to the Government Accountability Office Draft Report "Actions Needed to Improve Audit Coverage of NASA":  
The Report Is Not Balanced or Objective

Dear Ms. Franzel:

The NASA Office of Inspector General (OIG) disagrees with the conclusions and recommendations of the Government Accountability Office's (GAO) draft report titled "Actions Needed to Improve Audit Coverage of NASA" because they are based on selective and incomplete data and flawed characterizations of the work, processes, and accomplishments of NASA OIG.<sup>1</sup>

To reach its conclusion that an issue concerning the Inspector General's independence is unresolved and still pending, the draft report mischaracterizes the findings of the President's Council on Integrity and Efficiency (PCIE) Integrity Committee (the IC) and ignores the documented final disposition of the matter on April 18, 2007. The germane decisional documents, not referenced in the draft report, clearly reflect that the matter was fully investigated, reviewed, resolved, and closed. In sum, the draft report misleads the reader through selective inclusion and exclusion of evidence to suggest that a closed matter is still open, a conclusion that is demonstrably wrong.

With regard to observations about the NASA OIG products and staff, especially in relation to the Office of Audits, the draft report mischaracterizes the content of OIG audits; it alters its methodology to exclude evidence inconsistent with the negative conclusions it presents; and it simply ignores the excellent work of the NASA OIG staff, which has been repeatedly recognized by the PCIE, Congress, United States Attorneys, and, in fact, the GAO. Rather than meet the audit's objective to identify "audit and investigative accomplishments reported by the NASA OIG," GAO chose to focus its efforts on marginalizing the importance of OIG work and ignoring the OIG's contributions to improving NASA programs and operations.

<sup>1</sup> The draft report responds to the joint request of three Congressmen. The request asks GAO to "make recommendations as needed to achieve enhanced effectiveness and independence of the NASA OIG."

See comment 1.

The GAO staff responsible for the draft failed to consult NASA OIG's senior leadership on the important issues on which the draft report opines. The Inspector General, the official accountable and responsible for the strategic direction of the Office, was not interviewed by the GAO staff. None of the issue area directors or audit staff were interviewed. In fact, the totality of interviews conducted with OIG staff lasted less than 5 hours and, for the most part, covered topics that, ultimately, were not addressed in the draft report at all. The GAO staff also did not consult with NASA management—those with the direct responsibility for the effective execution of the NASA mission. Had they done so, GAO would have developed a genuine understanding of the OIG's many contributions, especially as to those areas at the root of efficient, economical, and effective management of NASA programs and operations: safety, acquisition management, financial management, information technology management, and management of internal controls over identified Agency weaknesses.

We are particularly surprised at the draft report's conclusion of weakness in the NASA OIG's audit coverage, given the OIG's strict compliance with the requirement in the Inspector General Act to "give particular regard to the activities of the Comptroller General of the United States with a view toward avoiding duplication and insuring coordination and cooperation." Each year for the past 6 years, the NASA OIG's audit plans have been discussed with, commented on, and otherwise coordinated with the GAO staff responsible for conducting NASA oversight. The notion of this draft report that the OIG's audit coverage needs material improvement is not in accord with any view expressed to the NASA OIG by GAO's NASA experts in the past 6 years.

As a consequence of the GAO's flawed methodology, the draft report contains conclusions and recommendations that do not reflect an accurate, independent, or objective review of NASA OIG's operations and activities.

**The draft report is erroneous in asserting that concerns about appearance of lack of independence are unresolved<sup>2</sup>**

The draft report's conclusion—that the IC finding on appearance of lack of independence was unresolved and warrants further attention—is based on a mischaracterization of the IC's finding and an omission of the decision documents which demonstrate, without any

<sup>2</sup> The draft report refers to the three peer reviews of the NASA OIG conducted during the 5-year period 2003 through 2007 (a fourth review, of the Office of Investigations, was completed in 2008). In the two reviews addressing the Office of Audits, and the one review addressing the Office of Investigations, the peers conducting the reviews concluded that the NASA OIG's systems of quality control for the audit function provided reasonable assurance of material compliance with professional auditing standards. The single review of the Office of Investigations completed in 2007 found that Office to be in full compliance with applicable quality standards. With respect to both audit and investigative activities, none of these four reviews suggest any impediment or noncompliance with respect to independence or appearance of lack of independence at the NASA OIG. It was only the congressionally requested, non-routine, reviews—this one by the GAO and the one conducted by the IC and HUD OIG—that raised questions about appearances. And, despite the wide scope of review of the GAO audit, it identified no new independence issue, apparently not finding any.

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**Appendix IV: Comments from the Inspector  
General, National Aeronautics and Space  
Administration**

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ambiguity, that the matter was fully resolved and closed with a determination to take no action. While the draft report completely disregards what clearly occurred as a factual matter in this case, it also ignores the legal requirements in Executive Order (EO) 12993 for determinations relating to Inspectors General.

The draft report refers to the “investigative finding that the NASA IG *has* [emphasis added] an appearance of lack of independence.” Here, creating a fiction that there is an unresolved issue, the draft report misstates the finding of the IC, which was substantially more limited. The IC did not find that the NASA Inspector General “has” an appearance of lack of independence. The IC’s finding as regards appearances were historical and concerned the creation of an appearance of a lack of independence in connection with one matter arising in 2002 and another in 2004.<sup>3</sup> There was nothing the IC concluded to suggest an ongoing appearance issue.

Furthermore, to support its incorrect assertion of lack of resolution, the draft report incorrectly suggests that the IC made a recommendation to the PCIE Chair and that the recommendation was not addressed. In reality, however, there was no IC recommendation. Nonetheless, the question of whether any action should be taken as to appearance concerns raised in the IC’s report was fully considered by the Chair of the PCIE. After consideration, the PCIE Chair deemed “no action” was appropriate, and that determination was fully documented. However, that documentation is neither acknowledged nor referenced anywhere in the draft report.

As background, EO 12993 requires the IC to assess an investigation and, if deemed appropriate, send forward a report “with Integrity Committee recommendations, to the Chairperson of the PCIE/ECIE for resolution.” As regards the investigation of the NASA Inspector General, the IC forwarded its January 22, 2007, report to the Chair, but without making any recommendations. As there was no IC recommendation, there is nothing unresolved.

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<sup>3</sup> GAO’s draft report cites the findings of the IC by stating that the IC concluded that “the NASA IG’s actions, including his relationship with the former NASA Administrator, created an appearance of a lack of independence.” There is no reference to any “relationship” with NASA’s then-Administrator (who resigned in February 2005) in the paragraph reflecting the IC’s conclusion, and there is no finding by the IC of any continuing appearance problem. After an investigation of more than a year, with \$620,000 paid by the NASA OIG to the HUD OIG for the investigation (the real cost was actually much greater), the IC could cite to no instance of a lack of independence. It only cited two instances from years earlier, in which persons not in a position to know the relevant facts thought there was an appearance of lack of independence; in those two instances, the Inspector General’s actions were appropriate and the IC does not conclude otherwise. The NASA Inspector General’s testimony on June 7, 2007, at the Joint Hearing Between the Senate Commerce Committee’s Subcommittee on Space, Aeronautics, and Related Sciences and the House Science and Technology Committee’s Subcommittee on Investigations and Oversight (available at <http://oig.nasa.gov/congressional/Statement060707.pdf> and exhibits, thereto, available at <http://oig.nasa.gov/congressional/Exhibits060707.pdf>; see, particularly, Exhibit B thereof) demonstrated the totally unsubstantiated nature of the conclusion of the IC as regards “appearances.” The testimony, given long after the resolution of the IC matter, was the NASA IG’s first opportunity to rebut the IC’s findings.

**Appendix IV: Comments from the Inspector  
General, National Aeronautics and Space  
Administration**

To support its incorrect assertion that somehow the matter was left “unresolved,” the draft report selectively references a March 20, 2007, letter from the IC Chair to the PCIE Chair expressing dissatisfaction with a proposal by the NASA Administrator.<sup>4</sup> Based on this, the draft report implies that the IC made a recommendation and that it was unresolved. The March 20 letter cited in the draft report is taken out of context, as it is only the beginning of the relevant correspondence, the rest of which the draft report ignores, but is described below in Table 1.

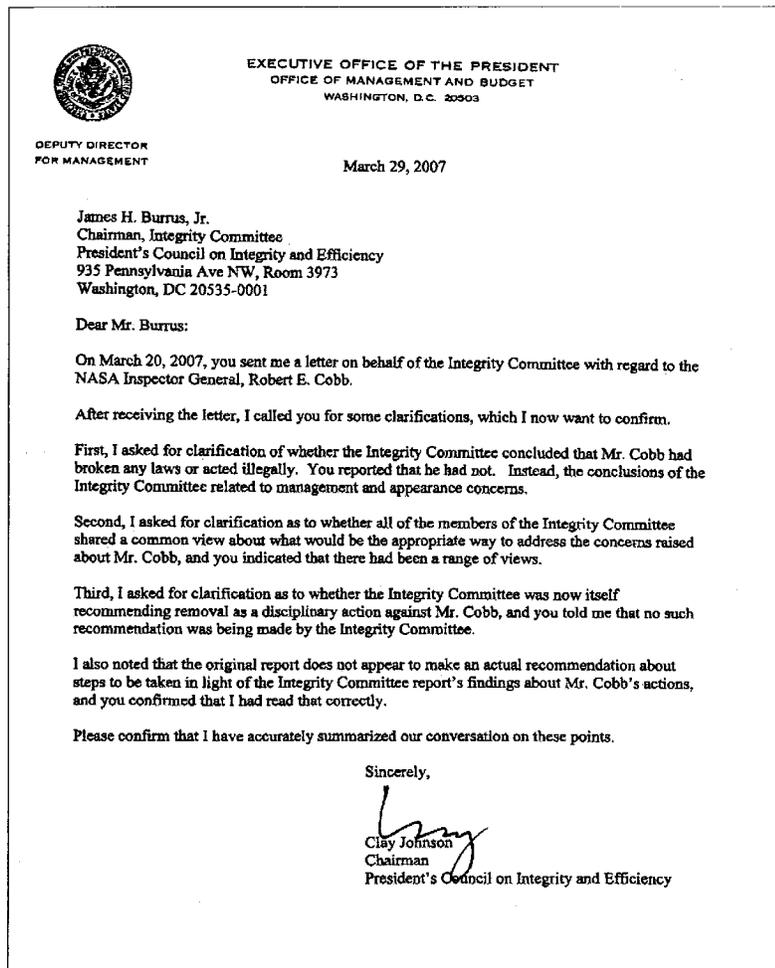
<b>Date</b>	<b>Document</b>
March 29, 2007	Letter from the PCIE Chair to IC Chair clearly establishing that the IC had made no recommendation.
March 29, 2007	Letter from the IC Chair to PCIE Chair confirming that the IC had made no recommendation.
March 29, 2007	Letter from the NASA Administrator to PCIE Chair stating that he did not believe that additional corrective measures were necessary with regard to the appearance of a lack of independence.
April 18, 2007	Letter from the PCIE Chair to IC Chair reflecting his decision to take no action on the appearance issue.
April 26, 2007	Letter from the IC Chair to the NASA IG reflecting the decision to take no action on the appearance issue and closing the matter.

The March 20 letter prompted a telephone call from the PCIE Chair to the IC Chair, the substance of which was confirmed by a March 29 letter from the PCIE Chair to the IC Chair and acknowledged by the IC Chair by letter on that same date. This correspondence confirmed that the IC had made no recommendation (see Figure 1).

<sup>4</sup> The draft report states “the NASA Administrator is not in the most appropriate position to determine the actions necessary to address the IG’s independence, especially those related to the actions of the Inspector General and the Administrator’s office.” The NASA Administrator was not the determining official. The determining official, as reflected by the correspondence and the EO, was the PCIE Chair. GAO stated at the exit conference with the NASA OIG, September 12, 2008, that the PCIE Chair was not contacted in connection with the draft report. EO 12993 clearly provides a role for an Agency head in consideration of IC matters: “Where the Chairperson of the PCIE/ECIE determines that dissemination of the report to the head of the subject’s employing agency or entity is appropriate,” the Chair of the PCIE can disseminate the report to that person for views or action. The views of the Administrator under whose “general supervision” the Inspector General carries out his role under the Inspector General Act of 1978 were perfectly appropriate for the PCIE Chair to take into consideration in his resolution of the matter.

Appendix IV: Comments from the Inspector  
General, National Aeronautics and Space  
Administration

Figure 1. Letter from the IC Chair to PCIE Chair



This letter was followed by yet more correspondence, with the PCIE Chair ultimately sending a letter reflecting the Chair's determination that no action was warranted, or would be taken, against the NASA Inspector General as regards the appearance matter. In reflection upon the IC's March 20 letter, the NASA Administrator in a letter dated

March 29 reiterated his recommendation to the PCIE Chair on the appearance issue by stating:

With respect to the ‘appearance of a lack of impartiality concern,’ IG Cobb and I have a professional, arm’s length relationship and *I do not believe that additional corrective measures are necessary in that regard* [emphasis added]. In the two years that I have observed IG Cobb, I have seen a high quality work product from the OIG reflective of a staff and its leadership dedicated to carrying out the mission entrusted by law to the IG. IG Cobb is technically sound, highly conscientious, fully engaged in his work, and he brings rigorous analysis to the OIG work product.

On April 18, 2007, the PCIE Chair wrote to the IC on the final disposition of the matter, and on April 26, 2007, the IC Chair wrote to the NASA Inspector General:

On April 18, 2007, the IC received a response letter from the PCIE Chair indicating that *he* had accepted the recommendations from NASA Administrator Griffin as *the appropriate and final disposition of the matter. Accordingly, the IC review is complete and the case is considered closed*<sup>5</sup> [emphasis added].

Accordingly, the record clearly reflects that the matter was fully investigated, reviewed, resolved, and closed. The draft report ignores all of this to reach a result that is clearly incorrect.

#### **The draft report’s review of NASA OIG audit coverage and other matters is not thorough or balanced**

The draft report’s conclusion that the NASA OIG’s “audit coverage of NASA is limited in scope” is not based on a thorough and objective assessment of the OIG’s work, its products, and accomplishments. Rather than provide a balanced assessment of the OIG’s strengths and weaknesses, GAO chose to focus its efforts on marginalizing the importance of the OIG’s work and ignoring the OIG’s contributions to improving Agency programs and operations.<sup>6</sup> For example, there is neither mention of the OIG’s extensive contributions in identifying systemic problems in information technology (IT) security,

<sup>5</sup> The letter from the PCIE Chair on April 18, 2007, was the document actually reflecting the final disposition of the matter. While the GAO conveyed at the exit conference that they had been provided full access to the IC files on this matter, the NASA OIG has never seen this letter; it is only known to the NASA OIG by virtue of the April 26 notice of the closing of the matter pursuant to section (e) of EO 12993, which states: “The Chairperson of the PCIE/ECIE shall report to the Integrity Committee the final disposition of the matter, including what action, if any, has been or is to be taken by the head of the subject’s employing agency or entity. When the Integrity Committee receives notice of the final disposition, it shall advise the subject of the investigation that the matter referred to the Integrity Committee for review has been closed.”

<sup>6</sup> The draft report completely fails in meeting one of the audit’s stated objectives—to address the “audit and investigative accomplishments reported by the NASA OIG.”

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financial management, or safety nor any mention of helping the Agency identify and implement needed corrective actions.<sup>7</sup> Instead, the GAO mischaracterizes the OIG's audit work; its analysis of return on investment is distorted and misguided; its conclusions on strategic planning are unsupported (and not based on thorough work); and the examination of OIG budgets and staffing is not only superficial but fails to reflect the real budgetary challenge facing the OIG. Had the GAO staff consulted with the Inspector General or the Deputy Inspector General on overall strategy and policy direction in the OIG or interviewed the issue area directors or audit staff, it may have avoided such fundamental errors in its assessment.

The GAO draft report supports its notions of the limited scope of NASA audits with essentially three points:

- the NASA OIG's audit coverage has not included audits with recommendations to improve the economy, efficiency, and effectiveness of NASA programs;
- NASA OIG audits do not make recommendations for systemic improvements in NASA program management; and
- the OIG's compliance audits were limited in scope because they did not examine possible systemic issues causing noncompliance and needing correction.

These assertions are unsupported and unsupportable. Even a cursory review of the attached listing of OIG audit products for the past 3 years (Enclosure), all of which are readily available on the NASA OIG Web site, shows that the office has addressed economy, efficiency, and effectiveness issues. In addition, these audits, which were the result of a systematic planning process, identify the systemic issues causing noncompliance and make recommendations identifying needed systemic improvements in program management that will lead to greater economy, efficiency, and effectiveness in NASA's execution of its mission.

The GAO draft report states, "NASA OIG audits have been done to the exclusion of audits with recommendations that address the economy, efficiency, and effectiveness of NASA's programs and operations." This statement is false. So, for example, the draft report does not consider the NASA OIG's award-winning audit addressing NASA's plan for Space Shuttle transition as a product that considers economy, efficiency, and effectiveness. The OIG found, in conducting this audit, that NASA managers will be challenged to provide "efficient and effective" transition without a plan that addresses a series of elements, including work breakdown structures, cost estimating, metrics for measuring progress, milestone reviews, communication plans, asset-end state requirements and security provisions for Shuttle property, a centralized data management system, and clearly defined responsibilities in a governance structure. Management agreed to revise its transition plan to address the OIG's concerns and did, in fact, revise

<sup>7</sup> For example, on October 1, 2008, the Chairman of the House Science and Technology Subcommittee on Investigations and Oversight relied heavily on the body of the NASA OIG's extensive IT security work and its identification of systemic issues to query NASA on IT security matters.

See comment 2.

See comment 3.

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See comment 2.

its plan to address the concerns. The draft report classifies our resulting audit report, and many similar reports, as a “compliance audit.” The notion that this audit, addressing in great detail the planning for evolution between two of the most expensive programs in NASA history, does not address economy, efficiency, and effectiveness is incomprehensible.

Examples of NASA OIG audits that address economy, efficiency, and effectiveness, as well as systemic improvements in program management abound. The following examples are from the year 2007 alone and do not include the extensive auditing associated with NASA’s financial statements and information technology (IT) security:

- Our audit of the system upgrade of NASA’s billion dollar Integrated Enterprise Management System’s Core Financial Module concluded that requirements were unsettled, the test plan of the upgrade was inadequate, and the implementation of the plan undisciplined; recommendations addressed the upgrade project and improved approaches to future IEMP projects.
- Our audit of the Management of NASA’s aircraft operations focused on “whether the size and structure of NASA’s aircraft operations . . . were adequate to support the Agency’s requirements [and] to . . . ensure the effectiveness of aircraft operations and safety programs” and whether “NASA provided adequate oversight.”
- Our audit of Space Shuttle Program accounting systems to track costs, undertaken in light of GAO’s identification of the Agency’s inability to provide its managers with timely data, found specific limitations in the program’s tracking of costs and made recommendations to fix them.
- The Hurricane Katrina audit focused on “determining whether NASA established the necessary internal controls to manage Hurricane Katrina recovery and reconstruction efforts, and evaluating NASA’s estimation and execution of Hurricane Katrina funds and processes used to ensure that those funds were used for their intended purposes.”
- Our report entitled “Effective Inspection Program Key to Improving Laboratory Safety at Glenn Research Center” closely examined “effectiveness,” especially as regards safety. Acting on our recommendations, Glenn enhanced the effectiveness, economy, and efficiency of the Laboratory Safety Inspection program by reducing the risk of injury to personnel and damage to assets and facilities.
- The audit of NASA’s A-76 Studies for Mission Management and Program Support Aircraft addressed economy and efficiency issues. As a direct result of our work, the Agency determined that it could reduce operations and maintenance costs for aircraft services by \$1.25 million over 5 years by using a private sector

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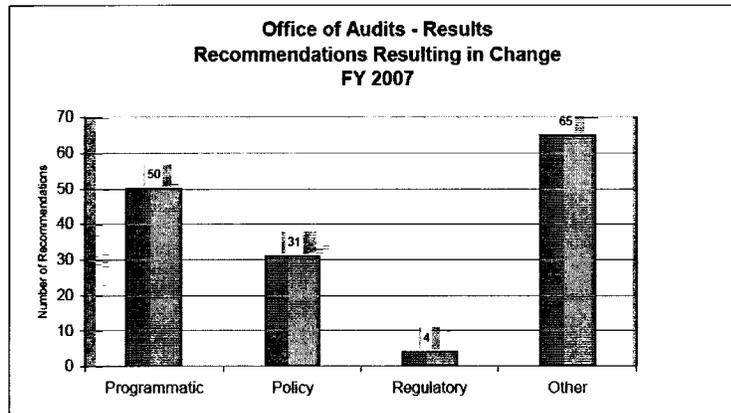
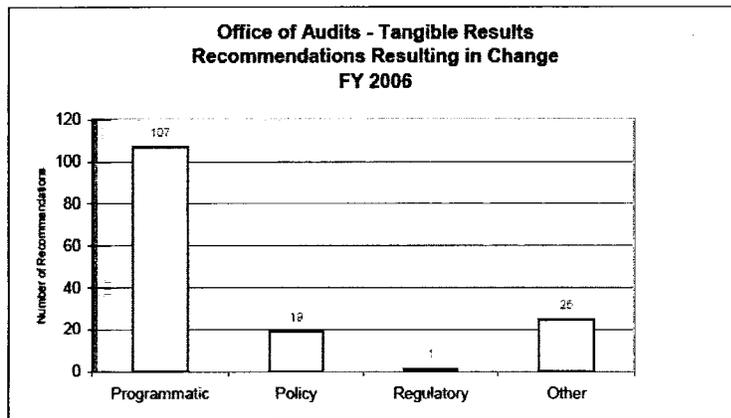
provider in lieu of NASA-owned aircraft for mission-required flights at two Centers.

- Our review of the Glenn's Research Center's Altitude Combustion Stand Facility, concluded that the decision to construct the facility was not an effective use of resources and recommended that NASA consider halting construction pending an assessment of whether the facility supports a valid mission need.
- Our audit of NASA's management of its internal control process found that process to be inadequate and made several recommendations to improve the process; working closely with us, NASA revamped its processes to assure robust consideration and corrective measures to address internal control weaknesses and to provide greater support for the Administrator's annual statement of assurance.

GAO's assertion that OIG audits do not make recommendations for systemic improvements in program management ignores documented evidence of the OIG's influence on change within the Agency. Our Strategic Plan Results Reports, which are on the NASA OIG Web site, track the number of implemented audit recommendations resulting in programmatic, policy, regulatory, and other changes in Agency programs and operations. For fiscal year (FY) 2006 and FY 2007, we reported 152 and 150 implemented recommendations that resulted in change (see Figure 2). Of these recommendations, 126 (82 percent) and 81 (54 percent) resulted in programmatic or policy changes in FY 2006 and FY 2007 respectively. We note that action in response to recommendations is an important element in GAO's consideration of the effectiveness of its own audit work in respect to the audited agency or functionality. NASA is implementing OIG recommendations because Agency leaders view them as helpful in making systemic improvements to NASA programs and operations.

See comment 4.

Figure 2. Implemented Recommendations



GAO's view that NASA OIG recommendations addressing compliance do not contribute to program economy, efficiency, or effectiveness is troublesome in the context of the important safety and operational issues facing an agency where compliance with requirements and protocols can make the difference between mission success and failure. In these and other areas, compliance directly impacts program economy, efficiency, and effectiveness—to include safety.

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See comment 5.

While safety had long been a priority in the NASA OIG Office of Audits prior to 2003, the tragic loss of the Space Shuttle Columbia and her crew on February 1, 2003, resulted in a substantial commitment of audit resources toward assuring NASA's compliance with its own requirements.

The physical and organizational causes of the accident were found by the Columbia Accident Investigation Board (CAIB) to have been founded in NASA's failure to follow its own requirements. The accident was caused by a breach on the leading edge of the left wing after a piece of foam separated from the external tank and struck that leading edge during ascent of the Shuttle. The CAIB found that "NASA has not followed its own rules and requirements on foam-shedding. . . . the debris impact requirements have not been met on any mission" (CAIB Final Report, Vol. 1, Finding 6.1-1, page 130). In its Organizational Cause Statement, the CAIB found "[c]ultural traits and organizational practices detrimental to safety and reliability were allowed to develop, including: reliance on past success as a substitute for sound engineering practices (such as testing to understand why systems were not performing in accordance with requirement/specifications) . . . , and the evolution of an informal chain of command and decision-making processes that operated outside the organization's rules" (CAIB Final Report, Vol. 1, page 177). In the report, the Board recommends that NASA make both organizational and cultural changes. As the report states,

Within NASA, the cultural impediments to safe and effective Shuttle operations are real and substantial, as documented extensively in this report. The Board's view is that cultural problems are unlikely to be corrected without top-level leadership. Such leadership will have to rid the system of practices and patterns that have been validated simply because they have been around so long.

The Agency and the NASA OIG put a renewed focus on ensuring compliance based on the findings and recommendations of the CAIB and the Return to Flight Task Group.

In Conference Report 108-199, the conferees expressed support and provided an extra \$1 million for NASA OIG efforts to monitor Agency compliance with recommendations of the CAIB and to work closely with the Return to Flight Task Group. In response, the OIG, to include both the Office of Audits and the Office of Investigations, devoted considerable resources to assessing the Agency's progress toward the organizational and cultural changes recommended by the Board, and our products have contributed to improving the economy, efficiency, and effectiveness of the Shuttle Program, other Agency programs and projects, and to the overall operation of the Agency. Of course, none of this is viewed by the draft report as advancing the economy, efficiency, or effectiveness of Agency operations.<sup>8</sup>

<sup>8</sup> Shuttle safety-related reports include the 2005 Summary of the Office of Inspector General's Reviews on Aspects of NASA's Response to the Columbia Accident Investigation Board Report; the 2005 report Risks Associated with NASA's Plan for Technical Authority and Safety and Mission Assurance; the 2005 Space Shuttle Orbiter Wiring Inspection; the 2006 Final Memorandum on the Audit of NASA's Response to Columbia Accident Investigation Board Recommendations Concerning MMT Training; the 2006 Final Memorandum on the Review of Space Shuttle Cold Plates; the 2006 report Space Shuttle Program Problem Reporting and Corrective Action Process at Kennedy Space Center Needs Improvement; the 2007 Final

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GAO ignores the substantial external recognition of the OIG's accomplishments. Ironically, other GAO products and congressional committees have cited the OIG's accomplishments as noteworthy. In addition, over the last few years the PCIE recognized numerous OIG work products as meriting community-wide awards.

- In March 2007, a GAO Director for Acquisition and Sourcing Management testified before the Subcommittee on Space, Aeronautics, and Related Sciences, Committee on Commerce, Science and Transportation, U.S. Senate, on issues surrounding the Space Shuttle transition program. In that testimony, he cited the findings and recommendations in our audit report on Space Shuttle transition as good examples of the improvements needed to enhance NASA's transition plan.
- In March 2007 and again in November 2007, a GAO Director for Financial Management Assurance testified before the Subcommittee on Federal Financial Management, Government Information, Federal Services, and International Security, Committee on Homeland Security and Government Affairs, U.S. Senate, stating that the "NASA OIG found various weaknesses in NASA's acquisition and contracting management processes such as a lack of a reliable financial management system to track contract spending, inadequate control over government property held by contractors, and procurement abuses by NASA employees and contractors."
- In House Report 108-792, accompanying HR 4818 (P.L. 108-447), the conferees directed the NASA Inspector General to issue a list of contracting trouble areas with recommendations to address these areas; after the OIG did so, in Senate Report 109-88, the Committee on Appropriations commended the NASA Inspector General's diligence in addressing issues of fraud and abuse and directed the OIG to continue its efforts to review NASA's contract procedures and conventions to determine if there are ways to reform the process and reduce the costs of NASA programs and activities.
- In October 2006, OIG audit and investigative personnel received a PCIE award for excellence for interdisciplinary and intra-agency teamwork for their efforts in uncovering a complex fraud scheme at NASA and the Social Security Administration.
- In October 2007, the Office of Audits received a PCIE award for excellence in recognition of the report, "NASA's Plan for Space Shuttle Transition Could Be Improved by Following Project Guidelines."

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Memorandum on the Review of T-0 Access Stair Trucks Located at Dryden Flight Research Center; the 2008 Final Memorandum on the Review of Rocket Segment Handling; and the 2008 Review of a Shuttle Training Aircraft Mishap on October 19, 2007. And, of course, as the GAO limited itself to products of the OIG and did not conduct interviews of audit staff, it is apparently completely unaware of monitoring of issues regarding Shuttle safety, for example, that is carried out by OIG technical specialists.

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- In October 2008, the Office of Audits will receive three PCIE awards for excellence for
  - evaluation of NASA’s management and execution of the National Aviation Operations Monitoring Service Project;
  - outstanding teamwork and exceptional performance in efforts to evaluate and make recommendations to improve the integrity of the Standing Review Board established to conduct independent assessments of the Orion Crew Exploration Vehicle Project and,
  - exceptional analysis and recommendations made to improve NASA’s identification, management, and retention of official electronic mail.

The above mentioned awards and recognition exclude the very substantial number of awards to the NASA OIG for the work of its special agents and staff of the Office of Investigations from the PCIE, United States Attorneys, and others for investigative excellence. Most of this recognition relates to results from criminal investigations advancing NASA’s interests, but some recognition relates to administrative investigations. An example of an administrative investigation that has received recognition, including being quoted in congressional report language, is the “Investigative Summary Regarding Allegations that NASA Suppressed Climate Change and Denied Media Access to Dr. James E. Hansen, a NASA Scientist,” issued June 2, 2008, which we issued in response to a congressional inquiry to the NASA OIG. The summary report reflects a comprehensive study, characteristic of NASA OIG work products, addressing important issues. This report is available at [http://oig.nasa.gov/investigations/OI\\_STI\\_Summary.pdf](http://oig.nasa.gov/investigations/OI_STI_Summary.pdf). GAO apparently thought all of this irrelevant to its audit objective to identify “audit and investigative accomplishments reported by the NASA OIG.”

**Return on Investment**

The draft report’s erroneous conclusion that “NASA OIG monetary accomplishments are limited” distorts the OIG’s work and its products and accomplishments. Further, the level of monetary accomplishments do not in any way establish whether NASA OIG’s audits address economy, effectiveness, and efficiency. And, finally, the draft report fails to consider the strategic approach taken by the NASA OIG in audit planning, which, as it relates to return on investment, incorporates the audit work of the DCAA, the results of which are reported in the NASA OIG Semiannual Report and which work is ignored and not referenced in the draft report.

But the NASA OIG does not shy away from legitimate comparison; for example, when it comes to actual money returned to an Agency and applied to Agency contracts and operations, the NASA OIG stands out. The NASA OIG Office of Investigations alone was responsible for the actual recovery to NASA programs of \$168,000,000 between FY 2002 and FY 2007, reflecting an almost dollar-for-dollar actual return on investment

See comment 5.

See comment 6.

to NASA from OIG work. These are real dollars rather than speculative “questioned costs” and “funds to be put to better use” that the draft report incorrectly cites as “return on investment.” The draft report’s reported “returns” are more speculative than real as they depend heavily on prospective Agency action to accept and implement recommendations and on having the consequences of implementation match auditors’ projections.<sup>9</sup>

The draft report limits its comparison of NASA OIG’s monetary accomplishments against those of other PCIE OIGs to 1 fiscal year. This resulted in a distortion of the NASA OIG’s accomplishments and is particularly troublesome given that GAO deviated from the overall scope of its audit work for this analysis. For all of the other analyses throughout its draft report, GAO uses a scope of 2 years or 5 years to assess the activities of the NASA OIG. Had GAO used the same 2-year period (FY 2006 and FY 2007) that it did to assess audit coverage, it would have reached a different conclusion about the relative ranking of the NASA OIG in comparison to other offices.

Specifically, the draft report’s choice to use monetary recoveries for only FY 2007 as a comparative example of return on investment is a gross distortion of the overall monies recovered by NASA OIG over a sustained period. At the exit conference in September 2008, GAO staff described as “anomalous” the NASA OIG’s 3-year, award-winning investigation of Boeing (which included Office of Audits support). This investigation resulted in the largest recovery in history involving a defense contractor. We were particularly troubled by GAO’s efforts to discount and minimize that statistical accomplishment for FY 2006 (\$615 million recovered, of which \$ 106.7 million was directly returned to NASA). Had GAO stayed with their original 2-year scope period of FY 2006 and FY 2007, the average recovery for those 2 years would have been \$330,885,133 for just the Office of Investigations. Had GAO stayed with their 5-year period of study (FY 2003 – FY 2007), the average per-year recoveries just for the Office of Investigations would have been \$163,193,550.

Finally, we note that investigative and audit activity, by its nature, is often cyclical when it comes to monetary recoveries. So GAO’s choice to select 1 particular year as representative of the accomplishments of the organization is misleading and an inappropriate methodology that leads to an inaccurate conclusion. GAO’s affirmative departure from their 2- and 5-year assessment periods and its selection of FY 2007 as the representative year, seriously calls into question the methodology used by GAO and the conclusions reached in the study.<sup>10</sup>

<sup>9</sup> Moreover, comparing NASA OIG audits with the audits at agencies like the Social Security Administration makes little sense; just one recent audit at that agency found that obtaining certain information from 276,000 benefit applicants would save \$473 million. NASA programs and operations are different in kind from other agencies.

<sup>10</sup> The GAO report overlooked many significant cases, besides Boeing, where NASA OIG recovered significant amounts of money for the Government. While the Boeing case involved the largest ever recovery to NASA from an OIG investigation, the TRW case represented to the second largest. In this case, which was settled in June 2003, over \$111 million was recovered, of which over \$11 million went directly to NASA. Also in that same month, Lockheed settled a matter for \$7.1 million, of which

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Since the draft report links monetary results to audit coverage, its analysis is woefully incomplete as it fails to take into account the monetary accomplishments obtained as a result of audit and investigative activities related to NASA's contractors and grantees by the Defense Contract Audit Agency (DCAA), whose work is coordinated, planned, and conducted pursuant to a memorandum of understanding dated January 14, 1988, with the NASA OIG. DCAA conducts incurred costs, cost accounting standards, defective pricing claims, forward pricing proposals, and operations audits for NASA on a reimbursable basis. These audits result in significant monetary accomplishments involving hundreds of millions of dollars annually in questioned costs and funds to be put to better use. For example, for the semiannual reporting period that ended on March 30, 2008, DCAA issued 459 audit reports on contractors doing business with NASA that included \$14,967,000 in questioned costs and \$229,259,000 in recommendations for putting funds to better use. The extent of the work by DCAA is a factor that the OIG incorporated into audit planning since its inception and is a root cause of why contract audits have not been a focus of OIG audit planning and execution.

Although we report the DCAA monetary benefits separately in our Semiannual Reports to Congress, other OIGs against whom the NASA OIG was compared in the draft report's monetary recovery chart, such as the Department of Agriculture and the Department of Homeland Security, include DCAA audit reports issued with questioned costs and recommendations that funds be put to better use in their overall monetary benefit statistics. Therefore, the DCAA reports increase the returns of agencies against whom the NASA OIG is compared but are not used to increase the returns of the NASA OIG. Table 2 shows the monetary accomplishments of the DCAA over the last 5 fiscal years that GAO did not take into account when concluding that "NASA OIG monetary accomplishments are limited."

<b>FY</b>	<b>Questioned Costs</b>	<b>Recommendations that Funds Be Put to Better Use</b>
2003	\$ 86,504,000	\$ 154,406,000
2004	\$ 116,890,000	\$ 100,648,000
2005	\$ 54,943,000	\$ 65,248,000
2006	\$ 36,309,000	\$ 616,671,000
2007	\$ 140,388,000	\$ 1,153,272,000

The GAO's use of "return on investment" as the sole comparative ranking category for an OIG in the context of its draft report is especially troubling. OIGs—especially ones that must be attuned to their Agencies' or Departments' safety and compliance programs due to the inherently dangerous missions undertaken—must be judged by their effectiveness

\$6.7 million was returned to NASA. In June 2005, PricewaterhouseCoopers paid the Government \$41.9 million as a result of an investigation conducted by this office. In December 2005, Bearing Point (formerly KPMG) settled a matter investigated by this office for \$15 million; and in June 2006, BP Amoco paid the Government \$10 million, of which \$1.7 million came back to NASA, to settle a matter.

See comment 8.

in accomplishing *all* of the missions articulated in the Inspector General Act of 1978, to include its ability to promote effectiveness in the administration of NASA programs. To judge the NASA OIG on monetary recoveries (as is the case with this draft report), invites reprioritization away from whistleblower complaints and safety issues—where the monetary return is potentially great but too speculative to report.<sup>11</sup> The NASA OIG remains committed to *all* the missions articulated in the Inspector General Act.

#### **Audit Approaches and Strategic and Annual Planning**

The draft report attributes its findings on audit scope to “audit plans without goals and objectives” and to NASA OIG management officials “often act[ing] as a clearinghouse for allegations received by the OIG and provide auditors with assignments to address limited scope procurement issues and areas that involve violation of NASA regulations.” The first concern is not supported by the facts, and the second reflects an obsolete view of the audit function, rejected by GAO itself, which is that audit staff should not be utilized to react to whistleblower or other complaints on critical issues of immediate concern such as safety issues or abuses of acquisition process during the pendency of a procurement because these “encroach on the ability of the OIG to assign staff needed for other audits.” Interestingly, the draft report itself is not a product of strategic audit planning, but is in direct response to a congressional request.

In the context of the Space Shuttle Columbia accident, the notion at NASA of a “silent safety culture” where those with complaints were not able to have their concerns listened to, and the focus by Congress and others on whistleblower issues, with specific emphasis on NASA, the NASA OIG undertook a number of initiatives that are not recognized in the draft report. One of these was to consider every complaint to the NASA OIG at an executive level and to prioritize resources to address complaints that merited further action. The suggestion of the draft report that the NASA OIG is, in effect, too responsive to whistleblowers in serving as a “clearing house for allegations” because this “encroach[es]” on audit work is imprudent.

The draft report’s conclusion that “a reevaluation of audit planning and methods within NASA’s OIG is needed . . .,” does not reflect an understanding of the OIG’s comprehensive strategic and annual planning processes. This is not surprising given that the GAO audit team did not interview the OIG leadership about our strategic planning processes and efforts to improve audit planning.

NASA OIG leadership devoted considerable effort to developing a strategic plan to provide a framework and guiding principles for carrying out the work of the office. We also developed a comprehensive set of data points that allow us to assess trends in the

<sup>11</sup> According to the draft report, the office with “worse” monetary accomplishments than the NASA OIG is the OIG of the Nuclear Regulatory Commission. The logic of the draft report would support a reallocation of resources by that Office away from “compliance” to activities with monetary recoveries. What the draft report overlooks is that compliance with critical requirements establishes economy, effectiveness, and efficiency of operations and program safety.

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effectiveness of our work and the utilization of resources on an annual basis.<sup>12</sup> The Inspector General and Deputy Inspector General discuss these results with the senior executive leaders of each OIG office at least once per year to identify areas for greater emphasis within their areas of responsibility.

We are particularly surprised at the draft report's conclusion of weakness in the NASA OIG's audit coverage given the OIG's strict compliance with the requirement in the Inspector General Act to "give particular regard the activities of the Comptroller General of the United States with a view toward avoiding duplication and insuring coordination and cooperation." Each year for the past 6 years, the NASA OIG's audit plans were discussed with, commented on, and otherwise coordinated with GAO's Director for Acquisition and Sourcing Management and staff responsible for conducting NASA oversight. The notion of this draft report that the OIG's audit coverage needs material improvement is not in accord with any expressed view of GAO's NASA experts in the past 6 years.

For example, consistent with our past practice, we met with GAO representatives on January 25, 2008, to discuss our 2008 Audit Plan in an effort to avoid duplication of effort, improve coordination, and increase oversight of NASA's major programs and operations. As recently as September 3, 2008, senior audit management met with GAO representatives to discuss ongoing 2008 assignments and planned GAO and OIG assignments for FY 2009. Our meetings with GAO resulted in suggestions, which we incorporated into our planned audit assignments and objectives as appropriate. Moreover, during our audit planning efforts, we also work with Office of Management and Budget staff, staff from relevant congressional committees, outside experts, and NASA senior management to identify areas of NASA's programs and operations that warrant audit oversight.

Our 5-year Strategic Audit Plan, dated May 10, 2007, provides a basis for ensuring comprehensive coverage for Agency programs and projects in NASA's major missions including Science and Aeronautics and the transition from the Space Shuttle to the next generation space vehicles. The plan includes strategic questions, sub-questions, and specific audit objectives that provide comprehensive audit coverage for each topic area over a 5-year period. Some examples of the topics addressed by the plan follow:

- Determine whether NASA's Mars Scout Missions are meeting robotics objectives for future human exploration.

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<sup>12</sup> Our annual Strategic Plan Results Report includes data in a variety of areas. We use the data, including customer feedback, to measure accomplishments, the relevance and timeliness of our work, and the impact of recommendations on Agency programs, policies, and procedures. Agency officials view our work as useful and timely and feel our recommendations are addressing programmatic and policy issues, as revealed in the following examples:

- For FY 2006, 71 percent of customers surveyed felt that our audit products "provided meaningful results," 90 percent felt that our audit products "covered areas in sufficient detail."
- For FY 2007, 74 percent of customers surveyed felt that our audit products "provided meaningful results," and 83 percent of felt that our audit products "covered areas in sufficient detail."

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- Assessment of the cost and benefits of the Venture Innovation program recommended by 2007 decadal survey.
- Assess how NASA is ensuring that the new space vehicles and support systems provide maximum utility.
- Determine whether NASA's aeronautics research aligns with Government wide research objectives.
- Determine whether the Agency can effectively link cost resources to performance for reimbursable projects to include collecting amounts owed by other agencies.
- Determine the effect of enhanced use leasing on NASA's management of its facilities and assess its impact on base operations costs.
- Assess the impact of NASA's education and technology development on its ability to hire and retain qualified personnel.

Our FY 2007 Audit Plan included the following assignments:

- Determine the effectiveness of NASA processes for evaluating programs or projects for cancellation, termination, or delays of Science Projects.
- Review NASA's acquisition of the Orion Crew Capsule.
- Determine whether NASA's aeronautics research budgets will create gaps in research or technology development for the overall Next Generation Air Transportation System.
- Evaluate the effectiveness of NASA's process for reviewing mishaps and close calls as a means for improving safety and preventing future occurrences of similar events.
- Determine whether NASA has developed and implemented training to ensure that all e-mail users are aware of and understand the process by which to identify, designate, and store official e-mails.
- Determine whether NASA's internal control processes used to identify assessable units, conduct risk assessments and report deficiencies are adequate and supportable.
- Determine whether award fee amounts for Jet Propulsion Laboratory were appropriate.

Despite our disagreements with GAO on the state of our planning processes, we recognize that there is always room for improvement. However, we do not agree with GAO that the PCIE Audit Committee is the appropriate source to help us improve our audit planning processes. That Committee focuses on advancing auditing standards, financial audits, peer reviews, training, and high-risk areas, none of which are cited as issues by the draft report. Therefore, to address the intent of that GAO recommendation, we will continue to assure ourselves of a robust strategic planning process that stresses communication with stakeholders such as relevant congressional committees, Office of Management and Budget NASA advisory boards, and NASA officials. And, of course, we will continue to coordinate, as we have in the past, our audit planning with the GAO. We will also benchmark with other OIGs to assure ourselves that our audits addressing program effectiveness, economy, and efficiency continue to fulfill the OIG mission.

#### **NASA OIG Budgets and Staffing**

The GAO draft report's conclusion that "the OIG's budgets and staffing levels have not been adversely affected, when compared to both the NASA budgets and staffing and to the budgets of other OIGs," ignores the real budget issues facing NASA OIG and fails to take into account that a major part of the increases in NASA OIG budgets is attributed to the reallocation from NASA's budget to the OIG's of funds to pay for the financial audit of the Agency.<sup>13</sup>

The impact of reductions to proposed increases to NASA OIG's FY 2007 and FY 2008 budgets has left us operating with an essentially flat budget for 3 fiscal years. Given that about 93 percent of our budget goes to salaries and the contract for auditing the Agency's financial statements, we have limited discretionary spending to absorb these reductions.<sup>14</sup> As a result, at the end of FY 2008, we reduced our on-board staffing by 15, from 201 to 186, to pay cost-of-living allowances and maintain travel, training, and other expenditures necessary to accomplishing our mission. We anticipate further staff reductions as a result of a continuing resolution, in lieu of a FY 2009 approved budget, and to be prepared for any budget eventuality when a FY 2009 budget is approved. The draft report would be correct if it had said that the staff losses resulting from the underfunding of the OIG is impacting the NASA OIG's productivity.

The draft report superficially addresses the rate of attrition at the NASA OIG and suggests this attrition has negatively impacted the ability of the OIG to maintain "experienced audit personnel." It then notes "9 of the 10 highest level audit managers leaving the OIG in the past five year period." Omitted by the draft report is the fact that

<sup>13</sup> For FY 2005 and thereafter, approximately \$3,500,000 was shifted from NASA to the NASA OIG to pay for the financial audits, giving the appearance of a significant budget increase (more than 10% annually) to OIG with no actual impact to funds available for OIG operations. This reallocation was to assure OIG independence in the management of the audit of NASA's financial statements under the Chief Financial Officer Act of 1990.

<sup>14</sup> For FY 2007 and FY 2008, OIG absorbed reductions of 3.9 percent (\$1.3 million) and 5.8 percent (\$2.0 million), respectively, from the President's budget. While OIG's actual budget authority for those years rose by 0.7 and 1.2 percent, respectively, the increases were significantly smaller than the cost-of-living adjustment increases and general spending inflation.

See comment 9.

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after a major reorganization in 2003, the senior audit staff who subsequently departed were no longer “highest level managers” and that many (4) of these individuals retired accepting “buy-outs,” which OIG used to rebalance the skill mix in the Office of Audits. These managers were largely responsible for an audit organization in 2002 that had more than 500 outstanding, unimplemented recommendations to NASA, reflecting a dysfunction in accomplishing the OIG mission of promoting the economy and efficiency of NASA.

Most important, NASA OIG has ensured that it is staffed with leaders and managers who have considerable experience within the accountability community. The Assistant Inspector General for Auditing has 29 years of Government auditing experience, and the six Program Directors and the Deputy Assistant Inspector General for Auditing have an average of 13 years (median of 12 years) experience in the audit community. Their experience is broad and includes time with GAO, various PCIE OIGs, and public accounting firms. Two of the newest Directors are recently retired officers of the Navy and Marine Corps with extensive Inspector General experience, bringing more than 50 years of collective leadership and accountability experience to the OIG. The 13 Project Managers currently employed have been with NASA OIG an average of 12 years (median of 17 years); 7 Managers have tenure of 16 years or more. Throughout the period covered, the leadership and experience base has continuously provided the guidance necessary to integrate new employees while enhancing the quality of the work. Recurrent recognition by the Agency and external peer groups attest to the exceptional value and quality of Office of Audits’ reports.

Also notable is the experience and stability of the NASA OIG career senior executive service (SES) staff. Since the current Inspector General was confirmed in April of 2002, two career SES staff have left NASA OIG, the last in June 2005. The current 5 members of the career SES have a total of more than 56 years of experience with the NASA OIG (and a total of more than 150 years of Government service). In addition to the experience of the Assistant Inspector General for Audits, the Deputy Inspector General has, aside from his experience in his current position, 28 years experience as a Government auditor, 24 of which were spent at the GAO, allowing him to provide invaluable leadership to NASA OIG in audit as well its other activities.

The GAO draft report concludes that “the reasons for the relatively high rate and recent increases in employee turnover should be examined . . .,” apparently assuming that attrition has not been closely examined by NASA OIG. Again, had the GAO staff interviewed senior OIG officials on steps taken to address this issue, the draft report could have presented a more accurate assessment of the issue and been able to reflect that attrition was 20 percent lower in FY 2008 than in FY 2007.

The draft report compares the attrition rate between NASA OIG and the rest of NASA. However, there are significant differences between the largely scientific and engineering workforce of the Agency and the primarily auditor and investigator workforce of OIG that do not lend themselves to comparison. In fact, one area of high attrition at NASA OIG is technical staff hired and brought in to focus on critical technical issues of the Agency. While these professionals enjoy the opportunity to bring value through OIG

work, they also often seek to practice the professions they were trained for with “hands on” employment not offered by OIG.

A more appropriate comparison for the OIG workforce is the PCIE community. The range of attrition percentages for the Departments of Interior, Energy, Veterans Affairs, and Education OIGs was 10.0 to 12.3 percent for FY 2007 and 10.0 to 14.5 percent for FY 2006. While still lower than the NASA OIG rates, these ranges are far different from NASA’s 4 to 5 percent rates for the same periods.

The draft report states that it did not review the reasons for OIG’s employee turnover, suggesting a lack of depth to GAO’s analysis and the accompanying observation and recommendation. Again, we note that GAO also did not discuss employee turnover with OIG leadership or seek any information on management actions to address the issue. OIG leadership is acutely aware of the extent of employee turnover as well as the causes and has undertaken a number of steps to address the issue. OIG leadership obtains feedback from employees in a variety of ways including two formal methods. The draft report did not examine this. OIG leadership has undertaken a number of initiatives to improve employee development, morale, and retention. The draft report does not consider these either.

#### **Conclusion**

The recommendations made in GAO’s draft report are not based on an objective or independent examination of the NASA OIG and, as a result, we do not concur in them. However, to the extent that the intent of the recommendations is to ensure audit resources are deployed in a manner that is most effective in carrying out the OIG mission and employee morale and development are accounted for so as to promote retention, we agree to continue our deliberate efforts to address these omnipresent issues.

Specifically, we strategically deploy our audit resources to address the issues of greatest import to NASA and where we believe audit resources are likely to bring the greatest additional value to NASA programs and operations. The NASA OIG will continue to develop its strategic use of audit resources and, this year, will endeavor to benchmark its audit planning approach with others in the PCIE community.

As regards employee retention issues, while the steps we have already taken are having an ameliorative impact, the Office will continue to provide positive support to the OIG’s excellent staff by promoting a culture where employees personally develop in an atmosphere that values professionalism, integrity, and accountability. We particularly support our employees by recognizing the tremendous service they provide and the value of the excellent work they do.

Although the recommendation concerning appearance of independence is not made to this Office, we reiterate that it is made without factual support. Moreover, it is made to the wrong authority. The recommendation is not addressed to the appropriate and legal authority with staff cognizance on taking action on matters involving Inspectors General, the Chair of the PCIE.

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Finally, we at the NASA OIG are particularly proud of the integrity of the work of the Office and the overall commitment of the staff to produce thorough work that is fair, objective, and independent. We understand the effort associated with producing such work, and we understand that meeting this standard is the hallmark of independent audits and investigations.

Thank you for the opportunity to review and comment on this draft report. If you have any questions, please contact Renee Juhans at (202) 358-1220.

Sincerely,



Robert W. Cobb  
Inspector General

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**Issued NASA OIG Reports**

**FY 2008**

<b>Report No.</b>	<b>Title</b>	<b>Date</b>
IG-08-032	NASA's Development of the Integrated Asset Management - PP&E Module to Provide Identified Benefits	09/25/08
IG-08-031	Federal Information Security Management Act: Fiscal Year 2008 Report from the Office of Inspector General	09/30/08
IG-08-030	Cost Estimates Used to Support the FY 2008 Budget Request for NASA's Constellation Program Could Have Been Better Documented	09/18/08
IG-08-029	Final Memorandum on the Review of Rocket Segment Handling	09/05/08
IG-08-028	Final Memorandum Regarding Potential Overpayment to Contractor	08/28/08
IG-08-027	Glenn Research Center Needs to Better Define Roles and Responsibilities for Emergency Response	09/03/08
IG-08-026	QCR of PricewaterhouseCoopers, LLP, Office of Management and Budget Circular A-133 Audit of The University of Alabama in Huntsville for the FY Ended September 30, 2006	09/02/08
IG-08-025	Center's Security Program Needed Improvement	09/19/08
ML-08-011	Initial Review of Ciuni and Panichi, Inc., Audit Report on the Lorain County Joint Vocational School District for the Fiscal Year Ended June 30, 2007	08/07/08
ML-08-010	Initial Review of McGladrey & Pullen, LLP, Audit Report on the Friends of the North Carolina State Museum of Natural Sciences for the FY Ended June 30, 2007	08/05/08
IG-08-024	Audit of International Space Station Contracts Government Cost and Price Analyses	07/31/08
N/A	Audit of NASA's Pre-Acquisition Planning for the Constellation Space Suit System	07/29/08
IG-08-023	QCR of Harris & Associates Audit of KSC Exchange Financial Statements for FY Ended September 30, 2007	07/28/08
IG-08-022	NASA's Compliance with Federal Export Control Laws and Risks Associated with the Illegal Transfer or Theft of Sensitive Technologies	07/22/08
IG-08-021	Final Memorandum on the Review of NASA's Plan to Build the A-3 Facility for Rocket Propulsion Testing	07/08/08
IG-08-020	Quality Control Review of the House & Albright P.C. Audit of the Marshall Space Flight Center Exchange Financial Statements for Fiscal Year Ended September 30, 2007	06/13/08
ML-08-009	Initial Review of McGregor & Company, LLP Audit Report on Orangeburg Consolidated School District Four for the Fiscal Year Ended June 30, 2007	06/11/08
ML-08-008	Initial Review of CDPA, PC Audit Report on North Alabama Science Center, Inc. for the Fiscal Year Ended December 31, 2006	06/11/08

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IG-08-019	Final Memorandum on the Audit of NASA's Management of the Test Operations Contract	05/09/08
IG-08-018	Final Memorandum on the Standing Review Board for the Orion Crew Exploration Vehicle Project	04/28/08
IG-08-017	Actions Needed to Ensure Scientific and Technical Information Is Adequately Reviewed at GSFC, JSC, LaRC, and MSFC <i>Addendum: Memorandum with Management Comments in Response to the Final Report</i>	06/02/08 <i>Addendum 07/16/08</i>
ML-08-007	Initial Review of West & Company CPAs Audit Report on Clinton-Essex-Warren-Washington Counties Board of Cooperative Education Services for the Fiscal Year Ended June 30, 2007	04/23/08
ML-08-006	Initial Review of Peter Schilz & Co, Audit Report on Earth and Space Research for the Fiscal Year Ended June 30, 2006	04/23/08
ML-08-005	Initial Review of Rogers & Company PLLC Audit Report on the KISS Institute for Practical Robotics Fiscal Year Ended August 31, 2006	04/18/08
IG-08-016-R	Final Memorandum on Audit of NASA's Global Precipitation Measurement Project	03/31/08
IG-08-015	QCR of Mayer, Hoffman, McCann, P.C., Office of Management and Budget Circular A-133 Audit of the Florida Atlantic University Research Corporation for FY Ended June 30, 2005	03/31/08
IG-08-014	Final Memorandum on the Review of the National Aviation Operations Monitoring Service <i>Addendum: Memorandum with Management Comments in Response to the Final Report</i>	03/31/08 <i>Addendum 05/09/08</i>
IG-08-013	Final Memorandum on Audit of NASA's Documentation of Readiness for Award Form Usage for Site-Specific Earmarks	03/24/08
IG-08-012	Final Memorandum on Glenn Research Center's Land-based Mobile Communication System	03/10/08
ML-08-004	Final Memorandum on Initial Review of Keegan, Linscott and Kenon, P.C. Audit Report on the Planetary Science Institute for Fiscal Year Ended January 31, 2006.	03/04/08
IG-08-011	Status of FY 2006 Management Letter Findings and Recommendations, in connection with the audit of NASA's FY 2007 Financial Statements	02/29/08
IG-08-010	Final Memorandum on Audit of Retention of NASA's Official Electronic Mail	02/28/08
ML-08-003	Final Memorandum on Initial Review of Derrick, Stubbs & Stith, LLP Audit Report on the South Carolina Association of School Administrators for Fiscal Year Ended June 30, 2006	02/27/08
IG-08-009	Review of a Shuttle Training Aircraft Mishap on October 19, 2007	02/15/08
ML-08-002	Initial Review of Putnam, Blackwell and Company, P.C. Audit Report on the Alabama Space Science Exhibit Commission for FY Ended September 24, 2006	02/15/08
IG-08-008	Final Memorandum on Management of the Wallops Exchange and Morale Association.	02/21/08
IG-08-007	QCR of Faw Casson Company LLP's Audit of Wallop Exchange and Moral Association Financial Statements for FY Ended 09-30-2006.	02/15/08

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IG-08-006	Final Memorandum on NASA's Management of the Flight Project for the Geostationary Operational Environmental Satellite Series-R Program	12/19/07
IG-08-005	Final Memorandum on NASA's Accounting for Capitalized Real Property Designated as Inactive	12/11/07
IG-08-004	Final Memorandum on NASA's Accounting for Real Property Leased to Other Entities	12/11/07
IG-08-003	Review of NASA's Budget Year 2008 Capital Asset Plan and Business Case	01/30/08
IG-08-002	Information Technology Findings and Recommendations	11/26/07
IG-08-001	Audit of the National Aeronautics and Space Administration's Fiscal Year 2007 Financial Statements	11/15/07
ML-08-001	Initial Review of Gelman, Rosenberg, & Freedman Audit Report on the Foundation for Earth Science Information Partners for FY Ended 09-30-2005	10/10/07

**FY 2007**

Report No.	Title	Date
IG-07-035	Final Audit Report on Assessment of NASA's Certification and Accreditation Process	09/26/07
IG-07-034	Federal Information Security Management Act: Fiscal Year 2007 Report from the Office of Inspector General	09/28/07
IG-07-033	Final Memorandum on the Audit of Requirements for Testing Facilities at Plum Brook Station	09/28/07
IG-07-032	Effective Inspection Program Key to Improving Laboratory Safety at Glenn Research Center	09/24/07
IG-07-031	Final Report System Integration Testing of the Systems Applications and Products Version Update Project Needed Improvement <i>Addendum: Memorandum with Management Comments in Response to the Final Report</i>	09/28/07 <i>Addendum 01/14/08</i>
IG-07-030	Final Report of Audit of Marshall Space Flight Center's Administration of Government Property Held Off-Site by Contractors <i>Addendum: Memorandum with Management Comments in Response to the Final Report</i>	09/28/07 <i>Addendum 12/06/07</i>
IG-07-029-R	Final Memorandum on Audit of NASA Education and Training Grants (Redacted)	09/18/07
IG-07-028	Audit of NASA's Management and Funding of Fiscal Year 2006 Congressional Earmarks	08/09/07
IG-07-027	Final Memorandum on Observations on the Review and Approval of Glenn Research Center's Relocation of the Cryogenic Components Laboratory Facility <i>Addendum: Memorandum with Management Comments in Response to the Final Report</i>	09/28/07 <i>Addendum 11/30/07</i>

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IG-07-026	Final Memorandum on the Audit of Space Shuttle Program Costs	09/19/07
IG-07-025	Final Memorandum on Audit of NASA's Compliance with Federal Internal Control Reporting Requirements	08/14/07
IG-07-024	Final Memorandum on NASA's Implementation of the Privacy Provisions of the Electronic Government Act	08/28/07
IG-07-023	NASA's Reporting of Performance Measure Data for the Federal Information Security Management Act (FISMA) Needed Improvement at Four Centers and NASA Headquarters	09/06/07
IG-07-022	Internal Controls over NASA's Transit Subsidy Program at Headquarters and Goddard Space Flight Center Needed Improvement	07/20/07
IG-07-021	Quality Control Review of [a Company's] Audit of Goddard Employees' Welfare Association Financial Statements for Fiscal Year Ended September 30, 2006	08/28/07
ML-07-010	Letter to Congress on NASA's Export Controls	07/20/07
IG-07-020	Quality Control Review of Macias Gini & O'Connell LLP Audits of Ames Exchange Financial Statements for FYs Ended September 30, 2005, and September 30, 2006	07/06/07
IG-07-019	NASA Could Improve Controls and Lower the Costs of the Intergovernmental Personnel Act Mobility Program	07/18/07
IG-07-018	Final Memorandum on the Audit of Federal Emergency Management Agency Mission Assignments for Hurricane Katrina Disaster Relief	07/05/07
IG-07-017	Final Memorandum on Audit of NASA's Workers' Compensation Program for the Office of Inspector General	06/19/07
Q-06-005-00	Final Memorandum on Post-Closure Follow-Up Review for Audit Recommendations Closed During FYs 2001-2005	05/29/07
IG-07-016	Final Memorandum on the Audit of the Management of Aircraft Operations	05/17/07
IG-07-015	NASA Mission Management and Program Support Aircraft A-76 Studies	05/17/07
IG-07-014	Controls over the Detection, Response, and Reporting of Network Security Incidents Needed Improvement at the Four NASA Centers Reviewed	06/19/07
IG-07-013	Final Memorandum on Marshall Space Flight Center's Approach to Establishing Product Data Management and Mechanical Computer-Aided Design Software Tools as Standard Center-Wide <i>Addendum: Memorandum with Management Comments in Response to the Final Report</i>	07/24/07 <i>Addendum 02/19/08</i>
ML-07-006	Final Memorandum Addressing Unnecessary Subcontract Costs and Other Deficiencies in GSFC's Multiple Award Schedule Procurement Process <i>Addendum: Memorandum with Management Comments in Response to the Final</i>	03/30/07 <i>Addendum 09/05/07</i>
IG-07-012	Internal Controls to Detect and Prevent Unauthorized and Potentially Fraudulent Purchase Card Transactions at Four NASA Centers Needed Improvement	03/29/07

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IG-07-010	QCR of Argy, Wittse & Robinson, P.C., OMB A-133 Audits of the National Institute of Aerospace Associates for Fiscal Year Ended September 30, 2004	12/06/06
ML-07-005	Final Memorandum on Follow-Up Review of the Management of the Headquarters Exchange <i>Addendum: Memorandum with Management Comments</i>	03/13/07  <i>Addendum 06/22/07</i>
IG-07-005	NASA's Plan for Space Shuttle Transition Could Be Improved by Following Project Management Guidelines <i>Addendum: Memorandum with Management Comments in Response to the Final Report</i>	1/29/07  <i>Addendum 5/10/07</i>
IG-07-004	Audit of the National Aeronautics and Space Administration's Fiscal Year 2006 Financial Statements	11/09/06
ML-07-004	Final Memorandum on the Review of T-0 Access Stair Trucks Located at Dryden Flight Research Center	01/09/07
IG-07-003	Governance of the SAP Version Update Project Needs Improvement	11/21/06
ML-07-003	Final Report of Desk Review of Langan & Associates OMB Circular No. A-133 Audits of the Dwight D. Eisenhower World Affairs Institute	12/18/06
IG-07-002	NASA Implemented the Project Management Information Improvement (PMI <sup>2</sup> ) Initiative but Crosswalk and Training Need to be Completed	11/20/06
IG-07-001	QCR of KPMG LLP and the DCAA OMB Circular A-133 Audits of the Smithsonian Institution for Fiscal Year Ended September 30, 2004	01/17/07
ML-07-001	Final Memorandum on Observations on the Review and Approval of Glenn Research Center's Relocation of the Altitude Combustion Stand Facility <i>Addendum: Memorandum with Management Comments</i>	11/02/06  <i>Addendum 02/20/07</i>

**FY 2006**

Report No.	Title	Date
ML-06-013	NASA's Compliance with Office of Management and Budget Memorandum M-06-16, "Protection of Sensitive Agency Information"	09/22/06
IG-06-021	Federal Information Security Management Act: Fiscal Year 2006 Report from the Office of Inspector General Report	09/28/06
ML-06-011	Audit of NASA's Use of Defense Contract Audit Agency (DCAA) Services in Managing NASA Contracts	09/25/06
IG-06-020	NASA Can Improve Its Mitigation of Risks Associated with International Agreements with Japan for Science Projects	09/12/06
ML-06-009	Final Memorandum on the Audit of the Management of Hurricane Katrina Disaster Relief Efforts	08/29/06
IG-06-019	Quality Control Review of Goodman & Company's Audit of Langley Exchange Financial Statements for Fiscal Year Ended September 30, 2005	08/29/06

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IG-06-018	Final Memorandum on the Audit of the OIG Office of Investigations Confidential Fund for Fiscal Year 2005	09/05/06
IG-06-017	NASA's Information Technology Capital Planning and Investment Control	09/14/06
IG-06-016	NASA's Implementation of the National Incident Management System	08/29/06
IG-06-015	Quality Control Review Report on Headquarters Exchange Financial Statements for Fiscal Years Ended in September 30, 2003, and September 30, 2004	09/22/06
IG-06-014	Space Shuttle Program Problem Reporting and Corrective Action Process at Kennedy Space Center Needs Improvement <i>Addendum: Memorandum with Management Comments in Response to the Final</i>	08/30/06 <i>Addendum 11/21/06</i>
IG-06-013	Subcontract Management by United Space Alliance under the Space Flight Operations Contract <i>Addendum: Memorandum with Management Comments in Response to the Final</i>	08/28/06 <i>Addendum 10/11/06</i>
N/A	Final Memorandum on NASA's Acquisition Approach Regarding Requirements for Certain Engineering Software Tools to Support NASA Programs <i>Addendum: Memorandum with Management Comments in Response to the Final</i>	08/23/06 <i>Addendum 9/21/06</i>
N/A	Final Memorandum NASA Educational and Training Grants	08/10/06
N/A	Final Memorandum on Improvements Needed in NASA's Evaluation and Selection Processes under NASA Research Announcements	07/11/06
N/A	Review of NASA's Wind Tunnel User Fees	06/01/06
IG-06-012	Final Memorandum on the Review of Space Shuttle Cold Plates	04/28/06
IG-06-011	Final Memorandum on the Audit of NASA's Response to Columbia Accident Investigation Board Recommendations Concerning MMT Training	05/09/06
IG-06-010-R	NASA Should Improve Employee Awareness of Requirements for Identifying and Handling Sensitive But Unclassified Information (Redacted)	05/09/06
IG-06-009	Antideficiency Act Violations at the National Aeronautics and Space Administration	04/10/06
IG-06-008	Security of [a NASA Center's Computer] Network	06/02/06
IG-06-007	NASA's Implementation of Patch Management Software Is Incomplete	03/17/06
IG-06-006	Final Memorandum on NASA's Policies for Protecting Technology Exported to Foreign Entities	03/14/06
N/A	Letter to Congress on NASA's Export Controls	02/23/06
IG-06-005	Final Quality Control Review of PricewaterhouseCoopers LLP and the Defense Contract Audit Agency Office of Management and Budget Circular A-133	02/23/06
IG-06-004	Information Assurance Controls on [a Center's Networked] Systems Need Strengthening	03/21/06

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IG-06-003-R	Integrated Enterprise Management Program Contract Oversight Needs Improvement	02/06/06
N/A	Review of NASA's Classroom of the Future Cooperative Agreement with WJ University	01/30/06
N/A	Final Memorandum on the Procurement of Organizational Development and Training Services at Goddard Space Flight Center	01/23/06
N/A	Review of the Use of Voice Over Internet Protocol at NASA	01/19/06
N/A	Early Planning for the Integrated Enterprise Management Program's Contract Management Module Requirements and Life-Cycle Operations.	01/17/06
N/A	Letter to Congress on Contract Reform	12/20/05
N/A	Final Memorandum on the Review of Unallowable Costs Charged to NASA/Marshall Space Flight	12/20/05
N/A	NASA Lacks Procedures to Define, Recognize and Protect Meta-Data	12/19/06
IG-06-002	Quality Control Review of R.J. Ricciardi, CPA, OMB Circular A-133 Audit of the Molecular Research Institute for FY Ended June 30, 2005	11/21/05
IG-06-001	QCR of Deloitte & Touche LLP, OMB Circular A-133 Audit of San Jose State University Foundation for Fiscal Year Ended June 30, 2004	11/18/05

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The following are GAO's comments on the NASA Inspector General's letter dated October 14, 2008.

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## GAO Comments

### Comment 1.

The meetings referred to by the IG do not result in an endorsement of the OIG's work plans but rather are discussions between the NASA OIG and GAO for purposes of coordination and cooperation. Our review of the NASA OIG's strategic and annual plans on this audit was in response to our findings regarding the need for additional oversight of NASA's economy and efficiency and measurable potential cost savings from OIG audits. We are encouraged by the NASA IG's intent to benchmark with the PCIE community to provide assurance that audits addressing program effectiveness, economy, and efficiency fulfill the OIG mission. Therefore, we have modified our report recommendation to have the OIG work closely with an objective outside party to include audits of NASA's economy and efficiency with potential monetary savings in strategic and annual plans.

### Comment 2.

The IG's comments do not cite any specific recommendations that are targeted toward economy and efficiency with potential cost savings. In addition, we reviewed all the recommendations in the OIG's audit products issued during fiscal years 2006 and 2007 and found only one report with these types of recommendations. By providing the titles of OIG reports, the IG provides little if any additional information on whether economy and efficiency issues were addressed by the outcomes of the reports. Therefore, our report continues to focus on the OIG's lack of economy and efficiency audit results with measurable cost savings as well as the lack of a strategy for dealing with these types of objectives in the annual and strategic audit plans.

### Comment 3.

The OIG's audit of NASA's plan for Space Shuttle transition concluded that NASA's transition plan did not comprehensively address all elements critical for a successful transition and recommended that the planning be enhanced and that the transition be recognized as an agency management challenge. Neither this report nor any other OIG report issued during fiscal years 2006 and 2007 had any specific recommendations to improve NASA's economy and efficiency with measurable cost savings related to this important and costly transition program.

- Comment 4. We did not include the percent of OIG recommendations implemented as part of our review. We evaluated the substance of the recommendations to determine whether they identified opportunities for improvements to NASA's economy and efficiency with measurable potential cost savings.
- Comment 5. This investigation was a coordinated effort by several offices including those from NASA, components of the Department of Defense, and academia, but was not performed by the NASA OIG. Our scope was to review the results of audits and investigations by the OIG and thus, we did not include it in our review.
- The IG also provided the title of an investigative report regarding allegations that NASA had suppressed climate change information as an example of an accomplishment. This information does not deal with the economy and efficiency of NASA's programs and operations and monetary accomplishments which is a focus of our findings and recommendations.
- Comment 6. We did not consider DCAA audits to be related to the NASA OIG's accomplishments since they are routinely provided as a service to NASA's contracting officers. The NASA IG points out that in our comparison of monetary accomplishments and the return on investment by 30 IG offices where the IGs are appointed by the President and confirmed by the Senate, our presentation of monetary accomplishments for the Department of Agriculture OIG and the Department of Homeland Security OIG includes the accomplishments of DCAA. Accordingly, we have removed the DCAA amounts from the accomplishments reported for these OIGs and adjusted the total monetary accomplishments for all 30 OIGs for fiscal year 2007 from a \$9.52 dollar return on all their budgets to a \$9.49 return. This did not affect the status of the NASA OIG's monetary accomplishments, which continues to be a \$0.36 dollar return on the OIG's budgetary resources and continues to rank 27th out of 28 OIGs reporting such accomplishments for fiscal year 2007.
- Comment 7. We selected fiscal year 2007 for comparison because at the time of our review it was the most recent full year with comparative data among the OIGs, and it was the year with the largest reported dollar savings resulting from NASA OIG's audits. However, in response to the NASA IG's suggestion that we provide data on accomplishments over a 5-year period, we added table 4 to our report. It shows the NASA OIG's monetary accomplishments from fiscal years 2003 through 2007 and further supports

our conclusion that the OIG provides limited monetary accomplishments from audits.

Comment 8.

We agree that the NASA IG should be committed to the full range of activities and objectives stated in the IG Act. Those objectives and activities include audits that result in recommendations to improve the economy and efficiency of NASA's programs and operations with measurable cost savings, as well as receiving whistleblower complaints.

Comment 9.

Our review compared the NASA OIG's total budgetary resources to NASA's total budgetary resources for fiscal years 2003 through 2007 to determine whether the OIG's budgets were increasing or decreasing relative to NASA's overall budgets. As stated in our report, the OIG's budget as a percent of NASA's budget increased from 0.15 to 0.17 percent during this period. The NASA IG states that \$3.5 million in funding was shifted from NASA to the OIG to pay for financial audits but cites this as having no actual impact on funds available for OIG operations. We disagree that these funds do not contribute to the resources available for OIG operations. The NASA IG is subject to the Chief Financial Officers Act of 1990<sup>1</sup> which specifies that the IG is responsible for the financial statement audits of the agency. The increase of \$3.5 million provides resources in the OIG's budget for these mandated audits. As stated in our report, over the 5-year period we reviewed the OIG's budgets kept pace with or were slightly better than NASA's budgets as a whole. In addition, when compared to other OIGs for fiscal year 2007, the NASA OIG ranked 11th out of 30 agencies in the ratio of the OIGs' budgets to their agencies' budgets.

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<sup>1</sup>Pub. L. No. 101-576, 104 Stat. 2838 (Nov. 15, 1990).

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# Appendix V: GAO Contact and Staff Acknowledgments

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## GAO Contact

Jeanette M. Franzel, (202) 512-9471 or [franzelj@gao.gov](mailto:franzelj@gao.gov)

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## Acknowledgments

In addition to the contact named above, Jackson Hufnagle, Assistant Director; Francis Dymond; Jacquelyn Hamilton; Jason Kirwan; and Clarence Whitt made key contributions to this report.

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## GAO's Mission

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