

GAO

Report to the Chairman, Subcommittee on  
Investigations and Oversight, Committee  
on Science, Space, and Technology, House  
of Representatives

March 1992

# NASA PROCUREMENT

## Improving the Management of Delegated Contract Functions



146541

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**United States  
General Accounting Office  
Washington, D.C. 20548**

**National Security and  
International Affairs Division**

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March 27, 1992

The Honorable Howard Wolpe  
Chairman, Subcommittee on  
Investigations and Oversight  
Committee on Science, Space,  
and Technology  
House of Representatives

Dear Mr. Chairman:

As requested, we are providing you with our assessment of the National Aeronautics and Space Administration's (NASA) compliance with its regulations on the delegation of contract administration functions, communication with the Defense Contract Management Command (DCMC) on delegated contract administration functions, and coordination of work performed by DCMC.

As arranged with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days after its issue date. At that time we will send copies to other appropriate congressional committees and the Administrator, NASA. We will also make copies available to others on request.

Please contact me on (202) 275-5140 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix I.

Sincerely yours,

Mark E. Gebicke  
Director, NASA Issues

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# Executive Summary

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## Purpose

The National Aeronautics and Space Administration (NASA) spent over \$10 billion per year during fiscal years 1989-91 on work done by contractors. To help ensure that contractors comply with contract requirements, NASA oversees their activities. In many cases, NASA delegates contract oversight activities to another government organization. That organization is often the Department of Defense's (DOD) Defense Contract Management Command (DCMC).

The Chairman, Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology, asked GAO to report the results of its assessment of NASA's (1) compliance with its regulations on the delegation of contract administration functions, (2) communication with DCMC on delegated contract administration functions, and (3) coordination of work performed by DCMC.

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## Background

The Federal Acquisition Regulation (FAR) and NASA's supplement to it are the primary documents NASA uses for contract administration requirements. The FAR lists 77 contract administration functions, such as property administration, voucher approval, and quality assurance. The NASA FAR Supplement allows NASA contracting officers to delegate responsibility for performing most of these functions to another agency. However, regardless of the extent and nature of the delegated contract administration functions, NASA is ultimately responsible for the administration of its contracts.

DCMC receives almost all of NASA's delegated contract administration functions, and DCMC oversees most of these delegated functions. DCMC received about \$29 million of the almost \$33 million paid to DOD for contract administration services in fiscal year 1991, and it expects to receive about \$37 million of the nearly \$41 million NASA estimates it will pay DOD in fiscal year 1992.

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## Results in Brief

GAO found widespread and significant deficiencies in NASA's management of delegated contracts. For example, planning conferences between NASA and DCMC were not held as required. In addition, delegation letters from NASA to DCMC were often either late or not clear enough about the functions being delegated. NASA did not obtain most acceptance letters in a timely manner, and some were not obtained at all. Some NASA contracting officers were not aware that their contracts had been delegated to DCMC or did not know why

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functions had been delegated. Further, NASA could not verify the amounts or services that DCMC was billing it for.

NASA has been aware of many of its contract administration delegation problems for several years, and it has begun to address them. NASA has identified contract management as a material weakness under the Federal Managers' Financial Integrity Act and recently changed its regulations and procedures to address most of the problems discussed in this report. However, additional actions will be required to ensure that these and other problems noted in this report are adequately corrected.

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## Principal Findings

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### Noncompliance With Regulations

The NASA FAR Supplement requires that NASA hold a planning conference with the delegatee to plan the nature and extent of contract administration activities on contracts expected to exceed \$5 million. However, NASA center personnel did not hold planning conferences with DCMC on 88 percent (44 of 50) of the contracts GAO examined that exceeded \$5 million. Some NASA contracting officers were not familiar with this requirement or did not consider it to be critical. The updated NASA FAR Supplement requires that contracting officers obtain approval from a procurement officer to waive the planning conference requirement.

The NASA FAR Supplement requires that letters identifying the responsibilities of the delegatee be sent within 15 days after contract award. However, for about 36 percent (43 of 119) of the contracts GAO examined, the centers had not sent the letter within 15 days. In almost 40 percent (17 of 43) of these contracts, delegation letters were sent 3 months or more after contract award or were not sent.

The NASA FAR Supplement requires that NASA send the delegatee special instructions in certain circumstances. For example, prior to a recent NASA FAR Supplement revision, NASA was required to provide special instructions when it delegated the responsibility for approving the award of subcontracts. However, the centers did not send special instructions to DCMC for about 30 percent (12 of 37) of the contracts where instructions were required. The updated NASA FAR Supplement no longer allows this subcontract approval function to be delegated without written justification to and approval from a procurement officer.

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## Insufficient Communication

NASA's instructions in its delegation letters to DCMC usually did not specify which of the 77 contract administration functions had been delegated to DCMC. Instead, the centers expected DCMC to infer from the delegation letter's references to the FAR and NASA FAR Supplement which contract activities applied. A recent NASA FAR Supplement update requires delegation letters to clearly and specifically state which functions have been delegated.

For over half of the 119 contracts GAO reviewed, the centers either did not obtain acceptance letters from DCMC at all or did not obtain them in a timely manner. Without this letter, the centers cannot document that DCMC has accepted responsibility for a delegated contract and who to contact at DCMC to discuss contract issues. The NASA FAR Supplement now requires NASA contracting officers to follow up on acceptances not received within 45 days of contract delegation.

The centers were also not routinely notifying DCMC of modifications, including some significant changes, to delegated contracts. Thus, DCMC was not aware of some potentially critical contract management information. In addition, NASA contracting officers did not always know whether a contractor met FAR requirements for purchasing system reviews or, if required, whether DCMC had approved the system. When a contractor does not have an approved system, more oversight of the contractor's subcontracting practices is required. GAO found eight cases in which NASA contracting officers believed that the contractors had approved systems when DCMC said they had not. NASA's FAR Supplement now requires contracting officers to be aware of the status of their contractors' purchasing systems.

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## Poor Coordination

Some NASA contracting officers were not aware that administrative responsibilities for their contracts had been delegated to DCMC. After GAO informed them of the delegations, some said the responsibilities should not have been delegated. Also, some NASA officials were unable to determine what, if any, functions had been delegated because they could not locate documents in the contract files.

NASA was also having difficulty assessing the accuracy of DCMC's bills, principally because the bills were not sufficiently detailed. Also, the bills were sent to NASA headquarters, which did not consistently involve the centers in reviewing the accuracy of the charges. NASA has negotiated with DCMC to revise the billing format and system.

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## Recommendations

NASA has revised its regulations and taken other actions to address a number of the problems discussed in this report. NASA needs to ensure that its procurement personnel comply with the new requirements. Therefore, GAO recommends that the Administrator, NASA, ensure that the centers develop and implement adequate procedures for complying with new requirements for supervisory review of planning conference waiver decisions, following up delegation acceptances in a timely manner, and knowing the status of contractors' purchasing system reviews.

GAO also recommends that the Administrator, NASA, ensure that (1) the centers use a timely and clear notification approach for delegates and establish a procedure for notifying them about contract modifications and (2) NASA establishes and implements procedures for reviewing delegatee bills to adequately identify the services being billed and involve the centers in reviewing delegates' billings.

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## Agency Comments

GAO did not obtain agency comments on this report. However, GAO discussed the information in this report with NASA procurement officials and incorporated their comments where appropriate.

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**Abbreviations**

DCMC	Defense Contract Management Command
DOD	Department of Defense
FAR	Federal Acquisition Regulation
GAO	General Accounting Office
NASA	National Aeronautics and Space Administration

# Introduction

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The National Aeronautics and Space Administration (NASA) spends almost 90 percent of its funds each year to procure goods and services. During fiscal years 1989-91 NASA spent over \$10 billion annually on work performed by contractors. To help ensure that contractors comply with contract requirements, NASA procurement personnel oversee their activities. NASA procurement officials often ask other government agencies to perform many of these oversight activities.

NASA personnel rely predominately on two documents for guidance on contract administration and delegation: the Federal Acquisition Regulation (FAR) and the NASA FAR Supplement. The FAR contains procurement regulations applicable to all federal executive agencies and lists 77 functions for administering a contract. The NASA FAR Supplement establishes agencywide policies and procedures that supplement the FAR. It allows NASA contracting officers to delegate 70 of the 77 contract administration functions listed in the FAR to other government organizations. Contract administration functions, including those that can be delegated, are important to overseeing contractors' cost, schedule, and technical performance, such as monitoring contractors' financial conditions, performing property administration, reporting on potential and actual slippages in contract delivery schedules, and ensuring contractors' compliance with quality assurance requirements.

Over the past several years, almost all of the funds NASA spent for delegated contract administration have gone to the Department of Defense (DOD). Within DOD, the Defense Contract Management Command (DCMC) oversees the majority of NASA's delegated work. DCMC received about \$29 million of the almost \$33 million NASA paid to DOD for contract administration in fiscal year 1991. NASA expects DCMC to receive about \$37 million of the nearly \$41 million it anticipates paying DOD for contract administration in fiscal year 1992. The Air Force, the Navy, and the Defense Contract Audit Agency perform the remainder of the contract administration and audit services NASA delegates to DOD.

NASA sometimes assigns its own administrative contracting officer to the work site to perform and oversee some contract administration functions. In such cases, NASA may still delegate some functions to DCMC. However, regardless of the extent and nature of delegated contract administration functions, NASA is ultimately responsible for the administration of its contracts.

NASA and DOD have had an agreement for contract administration services since 1969, and NASA is DCMC's largest customer outside DOD for such services. Each fiscal year both agencies forecast and agree on the maximum number of direct hours expected during the year and the hourly rate at which NASA will reimburse DCMC.

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## NASA's Awareness of Contract Administration Problems

NASA has become aware of its contract administration problems over the past several years. Such problems have been identified through periodic procurement management surveys and other reviews, including NASA Inspector General audits. For example, a 1988 review found delays in the issuance and acceptance of delegation letters, and a 1989 review found that contracts had been delegated for services that were not required. Ultimately, NASA believed that contract management had become such a problem that, in 1988, it identified this area as a material weakness under the Federal Managers' Financial Integrity Act. A 1991 NASA Inspector General review at one center found some of the same problems described in this report.

Recently, NASA's Office of Procurement began to make policy and procedural changes to address some of the deficiencies cited in previous NASA reviews and in this report. For example, NASA revised its FAR Supplement to clarify the responsibilities of NASA contracting officers when delegating contract administration functions and to strengthen requirements for increased communication and coordination, including a requirement to follow up on delegation acceptance letters not received within 45 days. These and other recent policy or procedural changes are identified throughout this report.

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## Objectives, Scope, and Methodology

The Chairman, Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology, requested that we report on our assessment of NASA's (1) compliance with its regulations on the delegation of contract administration functions, (2) communication with DCMC on delegated contract administration functions, and (3) coordination of work performed by DCMC.

To address our objectives, we obtained a listing from NASA of those contracts in NASA's headquarters Financial and Contractual Status System that were awarded in fiscal year 1985 through fiscal year 1990 and were still active as of September 30, 1990. A total of 1,866 contracts met these criteria.

From that group, we identified those contracts that (1) had delegated contract administration functions; (2) were awarded by Goddard Space Flight Center, Maryland; Lyndon B. Johnson Space Center, Texas; Lewis Research Center, Ohio; or George C. Marshall Space Flight Center, Alabama; (3) included work performed within the area of responsibility of the DCMC office closest to each center or in the Los Angeles, California, area; and (4) had an estimated cost of \$1 million or more. We chose the four centers due to their high procurement activity and the diversity of their missions and because they account for the majority of NASA delegations. We also included some contracts that were not identified in the data base as delegated but that DCMC identified as delegated. These contracts also met all of our criteria. In total, we identified 179 contracts. We reviewed 119 of these contracts; 48 were deleted from the total because NASA's data base had incorrectly identified them as delegated. Another 12 contracts were deleted because they were either delegated, but not to DCMC, or NASA could not provide information on the contracts at the time of our review.

We reviewed documents related to the 119 contracts and interviewed NASA and DCMC officials about them. We interviewed NASA procurement managers, contracting officers, or contract specialists on each contract and DCMC administrative contracting officers or contract administrators on most contracts. Most of the contracts we reviewed had more than one function delegated and were assigned to an administrative contracting officer. In addition, on some contracts, we spoke with DCMC personnel responsible for specific functions, such as quality assurance or property administration, when an administrative contracting officer had not been assigned. We determined the major contract administration services NASA was expecting DCMC to perform and whether NASA adequately communicated its needs to DCMC.

We conducted our review from October 1990 to December 1991 in accordance with generally accepted government auditing standards. We did not obtain agency comments on this report. However, we discussed the issues in this report with NASA procurement officials and incorporated their comments where appropriate.

# Centers Are Not Complying Fully With NASA Regulations

The centers did not comply fully with NASA regulations when delegating contract administration functions. In most instances, the centers did not hold required administration planning conferences with DCMC on contracts expected to exceed \$5 million. Also, the centers frequently did not send out delegation letters within the required time frame or provide required special instructions to DCMC when delegating certain functions.

## Required Planning Conferences Are Frequently Not Held

The centers did not hold required contract administration planning conferences with DCMC most of the time. The NASA FAR Supplement requires that NASA meet with DCMC to discuss delegation requirements on contracts expected to exceed \$5 million. The purpose of the meeting, called a planning conference, is to determine the nature and extent of expected contract administration functions.

A conference was required on 50 of the 119 contracts we reviewed. However, the centers did not hold a planning conference for 88 percent (44 of 50) of the contracts. Center procurement officials gave various reasons for not holding planning conferences. For example, some contracting officers said they were either not aware of the planning conference requirement or did not consider it to be critical. In one case, a conference was not held on a contract valued at over \$500 million because the contracting officer did not believe one was required, since the contract was for support services.

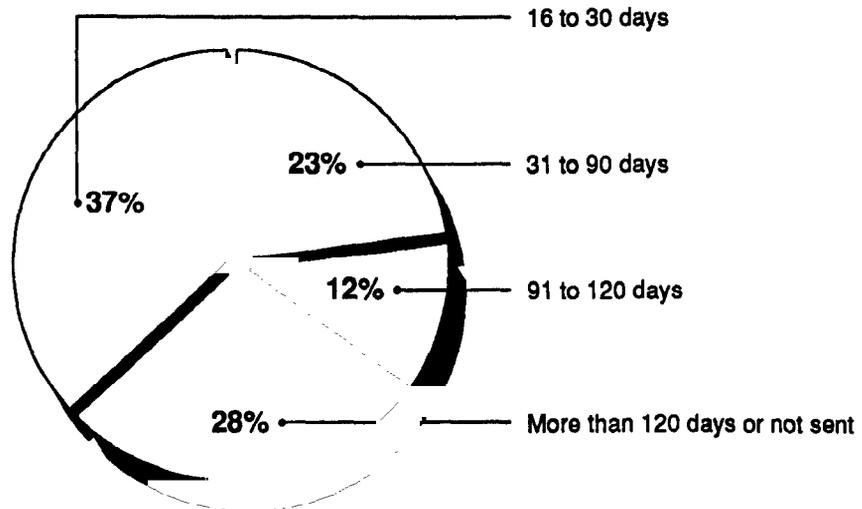
Many DCMC administrative contracting officers said they had never participated in a NASA contract administration planning conference. Most of the DCMC administrative contracting officers responsible for the 44 contracts for which the required planning conferences were not held said they would have preferred more communication with NASA. In addition, some officials said they would like to at least discuss delegations with NASA personnel even when planning conferences are not required.

NASA's June 1991 revision to its FAR Supplement may help ensure that planning conferences are held as required. Specifically, procurement officer approval is now needed to waive a required planning conference.

## Many Delegations Are Late

The centers frequently did not send delegation letters to DCMC in a timely manner. The NASA FAR Supplement requires that a letter of delegation identifying the delegated duties and responsibilities on each contract be sent to the delegatee within 15 days after contract award. Delegations and amendments to them should be accompanied by documentation and supporting information that will ensure a complete understanding of the contract administration services to be performed. When DCMC does not receive the delegation within the required time frame, delegated oversight functions may not be performed during the early stages of the contract. The centers had not sent delegation letters within 15 days for about 36 percent (43 of 119) of the contracts we reviewed. In almost 40 percent (17 of 43) of these contracts, delegation letters were sent 3 months or more after contract award or not sent. Figure 2.1 shows the extent to which delegation letters were sent after the 15-day requirement.

Figure 2.1: Delegation Letters Sent After 15-Day Requirement



In many cases, contracting officers were unable to explain these delays. However, in a few cases the contracting officers blamed the delays on a heavy work load.

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## **Required Special Instructions Are Not Always Provided**

NASA's FAR Supplement requires NASA to use special instructions to provide additional information considered necessary to ensure understanding of delegated functions. Prior to a recent change to the NASA FAR Supplement, several functions were specifically identified as requiring special instructions when delegated. However, NASA did not always provide these special instructions to DCMC, even though such instructions might have helped the contract administration office perform the delegated responsibilities more effectively.

One function for which NASA required special instructions was the approval of the award of subcontracts. However, special instructions on approving subcontracts were not sent to DCMC for about 30 percent (12 of 37) of the contracts we reviewed that required them. The lack of special instructions could result in DCMC's not reviewing subcontracts that NASA is expecting it to approve.

NASA's October 1991 revision to its FAR Supplement established subcontract approval as a function that cannot be delegated unless the contracting officer justifies doing so in writing and obtains procurement officer approval.

# Communication With DCMC Is Insufficient

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The centers have not adequately communicated with DCMC on many delegated contracts. The delegation instructions to DCMC were not always clear, and the centers did not routinely track DCMC's acceptance of delegations or ensure that DCMC was informed of all modifications to contracts. Further, the centers were not always aware of the status of their contractors' purchasing systems. Despite these problems, center procurement officials generally believed that the amount of communication was sufficient. In contrast, DCMC officials said they would have preferred more communication.

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## Delegation Letters Are Unclear

The centers' instructions in their delegation letters did not clearly identify their contract administration needs. The centers used a standard delegation form that usually did not specify which of the 77 contract administration functions had been delegated to DCMC, except for a few functions such as quality assurance. Instead, the centers expected DCMC to determine which of the functions applied by referring to the FAR and NASA FAR Supplement.

Some NASA contracting officers told us that the language in the standard delegation form was sufficient. In contrast, some DCMC administrative contracting officers stated that they believed they could do a better job on the delegated contracts if the delegation letters were more specific. For example, one administrative contracting officer said that unless specific information is provided, she does little for the contract beyond keeping the contract file updated and reviewing funding data.

Until recently, one NASA center's delegation letters included a list of the functions NASA was withholding from the delegation. The center officials determined that this method of delegating was not clear and could cause confusion at DCMC. For this reason, in January 1991 the center revised its delegation letter to designate each contract administration function as either delegated or withheld. DCMC officials questioned about this revision said that they believed the revised letter was an improvement.

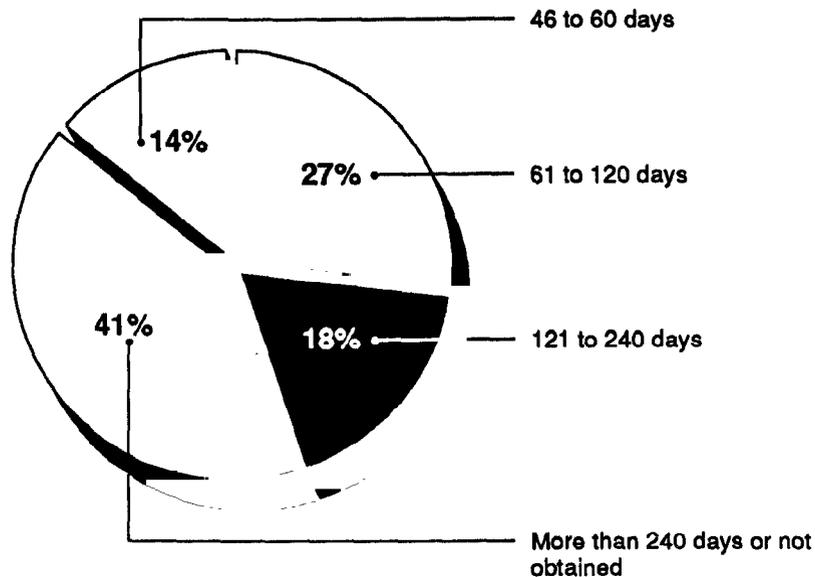
A June 1991 update to the NASA FAR Supplement now requires that delegation letters clearly and specifically state which functions have been delegated. In addition, NASA procurement officials are planning to clarify the language of the standard delegation form.

## Acceptance Letters Are Often Not Obtained in a Timely Manner

The centers did not obtain acceptance letters from DCMC in a timely manner. The NASA FAR Supplement states that the contracting officer should use the acceptance letter as evidence that the delegation has been accepted and as a reference for points of contact for each of the functions delegated. Without an acceptance letter, the centers cannot document that DCMC has received and accepted responsibility for a delegated contract and who to contact at DCMC to discuss contract issues.

For about 18 percent (21 of 119) of the contracts we reviewed, NASA could not document that DCMC had sent an acceptance letter. For about 44 percent (52 of 119), the time between the date of the delegation letter and the date of DCMC's official acceptance exceeded 45 days; under a recently revised regulation, NASA is required to follow up with DCMC after 45 days. About 41 percent (30 of 73) of these late acceptances were more than 8 months late or not obtained. Figure 3.1 shows a breakdown of those delegation acceptance letters that were signed more than 45 days after the delegation letter was signed or not obtained.

Figure 3.1: Delegation Acceptance Letters Signed After 45 Days or Not Obtained



Several NASA contracting officers indicated concern about the time lag between delegation and acceptance, noting, for example, that a delay could result in a lack of sufficient property administration.

NASA's June 1991 update to its FAR Supplement requires the centers to follow up on delegation acceptance letters that are not received within 45 days of contract delegation. Some centers are already prepared to deal with the new requirement. For example, one center established a system in 1989 that identifies acceptance letters that have not been received 30 days after the delegation package was sent. Also, in 1990 another center established a follow-up system in one branch in its Procurement Division. The center had positive results with this system, and it intends to expand the system throughout the division. However, other centers had no formal delegation follow-up system in place at the time of our fieldwork.

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## **DCMC Is Frequently Not Informed of Major Contract Changes**

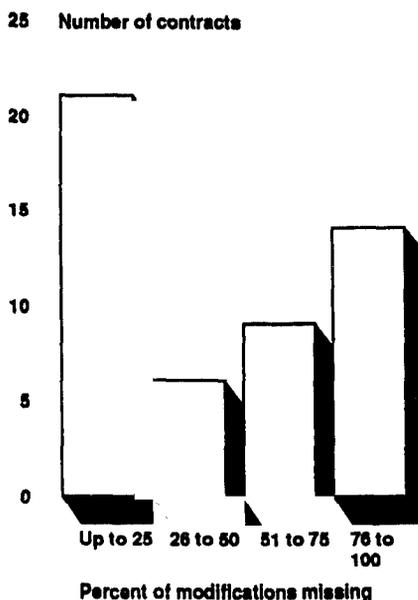
DCMC was not routinely notified about modifications, including significant changes, to delegated contracts. Thus, DCMC administrative contracting officers were not always aware of some potentially critical contract management information, such as modifications that extend the life of the contract.

DCMC was missing modifications for about 58 percent (50 of 86) of the contracts we reviewed that had been modified.<sup>1</sup> In about 27 percent (23 of 86) of those contracts, DCMC was missing over half of the modifications. Figure 3.2 shows the frequency of missing modifications.

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<sup>1</sup>An additional 25 contracts we reviewed also had been modified by NASA. However, we were unable to obtain information about those modifications from the DCMC offices we visited.

Figure 3.2: Missing Modifications



NASA contracting officers told us that, in some cases, one or more of the missing modifications had an impact on contract administration. For example, in one case missing modifications included those extending the duration of the contract, leaving DCMC potentially unaware of continuing contract activity. In another case, a DCMC administrative contracting officer thought a contract had been closed in mid-1990 until he received a contract modification in 1991.

A NASA contracting officer believed that all modifications to her delegated contracts were important to contract performance and stated that DCMC should have copies of all of them. A senior NASA headquarters procurement official agreed that DCMC should have copies of all modifications on NASA-delegated contracts.

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## Centers Are Sometimes Unaware of Contractors' Purchasing System Status

NASA contracting officers did not always know whether a contractor was required to have its purchasing system reviewed or, if required, whether DCMC had approved the system. The FAR states that a purchasing system review shall be conducted for each contractor whose sales to the government are expected to exceed \$10 million during the next 12 months.<sup>2</sup> The objective of these reviews is to evaluate the efficiency and effectiveness with which the contractor spends government funds and complies with government policy when subcontracting. When a contractor does not have an approved system, more oversight of the contractor's subcontracting practices is required.

Although NASA contracting officers rely predominately on DCMC to perform contractor purchasing system reviews, they should be aware of the status of their contractors' purchasing systems. However, in eight cases NASA contracting officers thought that the contractors had approved purchasing systems when DCMC said they did not.

A NASA management review also identified the contracting officers' lack of awareness of the status of purchasing systems and involvement in reviewing purchasing systems. In response, NASA revised its FAR Supplement in October 1991 to require that NASA contracting officers be aware of their contractors' purchasing system approval status and encourage them to become actively involved with DCMC in the review process.

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## DCMC Wants More Communication

The NASA FAR Supplement requires that NASA procurement offices establish and maintain effective communication with contract administration offices to ensure that these offices understand the responsibilities delegated to them. DCMC administrative contracting officers indicated that they did not think communication was sufficient on most of the NASA contracts and believed more communication would have improved performance on their delegated contracts. In contrast, NASA contracting officers believed the amount of communication on most of the delegated contracts was sufficient.

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<sup>2</sup>Sales based on sealed bid procedures do not apply to the \$10 million threshold.

Many NASA contracting officers indicated that they were satisfied with the current level of communication between NASA and DCMC on their delegated contracts. For example, many NASA contracting officers believed there was no need for more communication on their delegated contracts, even though they had not held required planning conferences with DCMC. Also, NASA contracting officers said DCMC was not affected by missing modifications on about half of those contracts for which DCMC did not have a complete set of modifications. Most NASA contracting officers also believed that missing or delayed delegation documents, such as the acceptance letter, had no impact on the contract.

Some DCMC administrative contracting officers indicated that more communication from NASA could have helped them provide better service. For example, the administrative contracting officers said that more communication would have improved performance on most of those contracts for which a required planning conference was not held. Also, some administrative contracting officers expressed concern when they found out that they were missing contract modifications. Some of these administrative contracting officers noted that they cannot adequately administer a contract unless they are kept abreast of its major changes, including those affecting scope of work and cost and schedule.

# NASA Does Not Ensure Efficient Use of DCMC Services

NASA did not adequately coordinate the work performed by DCMC. In some instances, NASA contracting officers were unaware that their contracts had been delegated to DCMC or were not able to determine what had been delegated because contract delegation documentation was incomplete or missing. Also, NASA did not know what specific contract administration services DCMC was asking it to pay for. NASA has negotiated with DCMC to revise its billing system. The planned changes would identify the hours billed by DCMC under several categories of delegated services on each contract.

## NASA Contracting Officers Are Not Always Knowledgeable About Contract Delegations

Some NASA contracting officers were unaware that their contracts had been delegated to DCMC. They did not know who initiated the delegation and stated that these contracts should not have required any delegated contract administration. On other NASA contracts the contracting officer did not know why functions had been delegated and said that DCMC services were not needed for some of those delegated functions, such as property administration. Thus, DCMC charged NASA for services performed on these contracts, and NASA paid for services it did not need.

NASA contracting officials offered various explanations for their lack of awareness of delegations. For example, under one center's former system, a delegation could be initiated without the contracting officer's signature; therefore, delegations could have been issued without the contracting officer's knowledge.<sup>9</sup> In other cases, contracting officers were not responsible for the contract at the time of award: only about 35 percent of the 119 contracts we reviewed were managed by the contracting officer assigned at the time of contract award. In addition, contracting officials cited frequent personnel turnover and poor file maintenance as reasons for not being aware of delegations. For example, some officials were unable to locate delegation documents for their contracts in their files to determine which, if any, functions had been delegated.

Some NASA contracting personnel expressed a desire to know more about the delegation process and DCMC services. Some suggested the need for more specific training on delegations and improved guidance on delegation requirements. According to NASA headquarters officials, a contract administration course currently under development includes an explanation of DCMC services and the delegation process.

<sup>9</sup>The center's current system now requires a contracting officer's signature to authorize delegations.

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## **NASA Cannot Review Accuracy of DCMC Billings**

NASA has not been able to review the accuracy of DCMC bills due to their lack of detail. The bills summarize the charges rather than indicate the specific services DCMC performed on each contract. Also, the bills were sent to NASA headquarters, which did not consistently involve the centers in reviewing the accuracy of the charges.

NASA has recently negotiated with DCMC a revised billing structure that will allow for NASA review. The new format will identify hours billed on each contract by major areas of contract administration, such as quality assurance.

Starting in fiscal year 1992, NASA plans to have the centers review the bills on each of their delegated contracts. NASA headquarters procurement officials believe that the new billing format and their review at the centers will result in better use of DCMC's services and the identification and elimination of unnecessary delegations.

# Conclusions and Recommendations

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Effective communication between NASA's procurement personnel and other agencies' contract administration personnel needs to be established and maintained when NASA delegates oversight responsibilities. Although this appears to be a simple concept, establishing and maintaining effective communication between NASA and its delegatee has been difficult to implement.

Effective coordination of delegated activities starts with timely and complete communication. If communication were timely and complete, various concerns discussed in this report would not exist. For example, a timely and effective contract administration planning conference could help avoid potential problems with unclear delegation letters, insufficient special instructions, and the untimely receipt of delegates' acceptances.

Once established, maintaining effective communication throughout the life of a contract requires continual attention. For example, delegates need to know of contract changes affecting the contract's performance requirements or its duration and cost. Also, NASA contracting officers should be routinely aware of certain critical activities, such as the review and approval status of contractors' purchasing systems.

Due to concerns about NASA's management of delegated activities, NASA's procurement policy staff has been actively working to identify and implement effective corrective actions. The changes already implemented or currently planned will help deal with many of the problems addressed in this report. However, additional actions will be required to ensure that these and other problems addressed in this report are adequately corrected. For example, at the time of our fieldwork only two of four centers we reviewed had procedures in place to identify and track the timeliness of delegation acceptances. NASA headquarters procurement officials need to take additional actions to ensure that all centers are capable of effectively responding to the new 45-day requirement. The effectiveness of this and other new requirements placed on NASA centers will have to be assessed by procurement officials at NASA headquarters.

NASA has revised its regulations and taken other actions to address a number of the problems discussed in this report. NASA needs to ensure that its procurement personnel comply with the new requirements. Therefore, we recommend that the Administrator, NASA, ensure that the centers develop and implement adequate procedures for complying with new requirements for supervisory review of planning conference waiver

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decisions, following up delegation acceptances in a timely manner, and knowing the status of contractors' purchasing system reviews.

We also recommend that the Administrator, NASA, ensure that (1) the centers use a timely and clear notification approach for delegates and establish a procedure for notifying them about contract modifications and (2) NASA establishes and implements procedures for reviewing delegatee bills to identify the services being billed and involve the centers in reviewing delegatees' billings.

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