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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

CIVIL DIVISION

FEB 4 1970



Dear Dr. Paine:

The General Accounting Office (GAO) has reviewed selected aspects of the procurement of guidance and navigation (G&N) systems for the Apollo spacecraft by the Manned Spacecraft Center (MSC). Our review was made pursuant to the Budget and Accounting Act of 1921 (31 U.S.C. 53); the Accounting and Auditing Act of 1950 (31 U.S.C. 67); and the authority of the Comptroller General to examine contractors' records as set forth in contract clauses prescribed by the United States Code (10 U.S.C. 2131(b)).

Our review was conducted at MSC, Houston, Texas; NASA Headquarters, Washington, D.C.; and the prime contractor's plant, and included an examination of pertinent records at each location and discussions with responsible NASA and contractor officials.

On the basis of our review of the available records relating to the consolidation of G&N industrial support contracts in 1964, we concluded that (1) NASA did not fully consider all alternative means of procuring Apollo G&N systems, (2) the cost of the G&N project will be higher than necessary as a result of contract consolidation, and (3) the contract fee that can be earned by the G&N system prime contractor is higher than warranted for the degree of risk the contractor assumed as a result of contract consolidation.

A draft report on the results of our review was submitted to NASA in April 1969 and NASA's comments on the draft report were furnished to us on December 12, 1969. In addition, a meeting was held in August 1969 at which NASA Headquarters and MSC officials presented additional information bearing upon the matters discussed in our draft report.

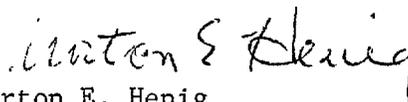
In the comments furnished us on December 12, 1969, NASA disagreed with the conclusions in our draft report and expressed the opinion that all available alternative contractual modes had been considered and that the fee paid to the G&N system prime contractor was not unreasonable considering the additional responsibilities and risks assumed by the contractor. In essence, the difference in GAO's and NASA's conclusions stems from a paucity of records relating to the decision to consolidate the G&N system contracts and the fact that the existing records are incomplete and/or inaccurate.

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In its comments, and at the August 1969 meeting, NASA provided us with considerable additional information in support of its position that all procurement alternatives had been considered and that the prime contractor had assumed additional responsibilities and risks to justify the amount of the contract fee. Substantial additional audit effort by GAO would be required to verify the additional information furnished by NASA, and to reassess the scope of the work performed and the risks assumed by the G&N prime contractor in connection with the work of the two directed subcontractors. In view of the time frame in which the consolidation of the G&N contracts was effected, we do not believe additional work on this matter at this time is warranted, nor do we propose to report further on the results of our review.

We wish to stress the importance of NASA's maintaining complete and accurate records, including the reasons for the decisions that are made, not only for the benefit of external review agencies, but to enable NASA management to review and better control its own activities. The Acting Associate Administrator for Organization and Management has advised us that the need for complete documentation of the procurement decision-making process will continue to receive emphasis. We believe that complete documentation is particularly important at this point in time because, in the near future, major decisions will be made concerning the space station and space shuttle and other major hardware developments.

Sincerely yours,


Morton E. Henig
Assistant Director

The Honorable Thomas O. Paine
Administrator, National Aeronautics
and Space Administration