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United States Government Accountability Office  
Washington, DC 20548

November 9, 2006

The Honorable Mark Udall  
Ranking Minority Member  
Subcommittee on Space and Aeronautics  
Committee on Science  
House of Representatives

The Honorable Jerry F. Costello  
House of Representatives

Subject: *NASA's System for Tracking Foreign Contracts and Subcontracts*

The National Aeronautics and Space Administration (NASA) is the nation's leading research and development organization in the fields of space and aeronautics. Each year, NASA spends almost 90 percent of its annual budget on the acquisition of supplies and services in order to fulfill the agency's mission to pioneer the future in space exploration, scientific discovery, and aeronautics research. NASA purchases these supplies and services from both U.S. and foreign contractors. Although most contracts were awarded to U.S. contractors, NASA, in fiscal year 2004, also awarded contracts to vendors in 23 countries.

The National Aeronautics and Space Administration Authorization Act of 2005<sup>1</sup> requires the NASA Administrator to annually report to Congress on NASA's contracts and subcontracts performed overseas and purchases from foreign entities. The report should also indicate contracts and subcontracts and their dollar values for goods and services that are only available from foreign sources as well as items and their dollar values for which the Buy American Act was waived pursuant to obligations of the United States under international agreements. According to the reporting requirement, the first annual report is due no later than January 2007. Based on your interest in ensuring that NASA will have the data to meet the new reporting requirements, we examined how NASA will track contracts and subcontracts performed overseas, foreign purchases, and the use of Buy American Act exceptions. We also determined whether NASA collects and analyzes data to assess its supplier base.

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<sup>1</sup> Pub. L. No. 109-155, § 709.

## Summary

NASA will not fully meet congressional reporting requirements on fiscal year 2006 foreign purchases by January 2007 because it is not collecting all the data needed to do so. Currently, NASA can track its contracts performed overseas and purchases of foreign goods and services through information contained in the Federal Procurement Data System-Next Generation (FPDS-NG)—an upgrade to the governmentwide information system on federal procurement contracts. As NASA relies on FPDS-NG, which currently does not track information on subcontracts or Buy American Act exceptions used in foreign purchases, NASA officials stated that they cannot report on this information at this time. A recent change made to the FPDS-NG will allow NASA to start collecting Buy American Act data for its fiscal year 2007 purchases, and NASA plans to work with the Office of Management and Budget (OMB) to collect subcontract information under a pilot program to be implemented by July 2007. However, NASA will not have this information available to meet the January 2007 reporting date.

In addition, although NASA has collected supplier base data for its Space Shuttle program, it does not collect or analyze agencywide data on its suppliers.

In view of NASA's ongoing actions intended to address congressional reporting requirements, we are not making recommendations in this report.

### **NASA Relies on FPDS-NG to Meet Reporting Requirements**

NASA officials told us that NASA relies on the FPDS-NG to meet its reporting requirements. Therefore, what NASA can report depends on whether the needed data are part of the data fields included in the FPDS-NG. If needed data are not included in the FPDS-NG, NASA could amend its FAR Supplement to collect the data.

#### NASA Can Track Foreign Purchases through FPDS-NG

FPDS was established in 1978 to collect governmentwide information on federal procurement contracts. Executive agencies, including NASA, are required to submit data into the FPDS-NG on their procurements exceeding \$3,000. The information includes contract types, dollar values and dates, purchaser information, product or service information, competition information, and contractor information. Federal agencies can query the data system to generate reports needed to meet reporting requirements, based on the data included in the system.

Through the FPDS-NG's advanced search capability, NASA can create its own custom reports using the following three data elements currently in the system that would allow it to meet part of the congressional reporting requirements

- Principal Place of Performance—the place where the work is being performed;
- Vendor Country Code—the country code of the contractor's address; and
- Extent Competed—a code that represents the competitive nature of the contract.

NASA plans to query the Principal Place of Performance data field to compile a list of contracts performed overseas and then further query the Vendor Country Code for contracts performed by foreign vendors in order to compile a list of foreign purchases. In addition, within the list of foreign purchases, NASA plans to use the Extent Competed data for a list of sole source contracts that would indicate that the items purchased were available only from a source outside the United States. While these data fields will enable NASA to report part of the information required by congressional requirements, we believe that the accuracy and consistency of the data will depend on NASA's contracting office staff inputting accurate data into the system and contractors providing correct information.

While FPDS-NG is intended to provide more timely and accurate data, enable users to generate their own reports, and provide easier user access to data, we recently found that the upgrade may have some limitations. Specifically, in September 2005, we reported that the FPDS-NG may not achieve its intended improvements. We recommended that the Office of Management and Budget (OMB) work with agencies that have not moved to an electronic data submission environment to connect to FPDS-NG via contract writing systems as soon as possible and develop a plan to improve the ease of use and access to data.<sup>2</sup> OMB concurred with the recommendations and is in the process of implementing them.

#### NASA Unable to Track Foreign Subcontracts or Buy American Act Exceptions until Changes Made

Because not all the data needed to satisfy the congressional reporting requirements are currently included in the FPDS-NG, NASA has to either collect its own data or wait for changes to be made to the FPDS-NG. The following data are not being tracked by NASA but are needed to satisfy the congressional reporting requirements

- subcontracts performed overseas,
- subcontracts that are purchases from foreign entities,
- subcontracts for which the goods or services are available only from a source outside the United States, and
- foreign purchases for which the Buy American Act did not apply due to U.S. obligations under international trade agreements.

The Federal Funding Accountability and Transparency Act of 2006<sup>3</sup> enacted on September 26, 2006, requires OMB to establish a database containing, among other things, contract and subcontract data. The act requires OMB to commence a pilot program to collect subcontract data no later than July 2007. NASA plans to work with OMB to determine if the new system will satisfy NASA's subcontract reporting requirements. If not, NASA will consider development of a supplemental subcontract database.

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<sup>2</sup> GAO, *Improvements Needed to the Federal Procurement Data System-Next Generation*, GAO-05-960R (Washington, D.C.: Sept. 27, 2005)

<sup>3</sup> Pub. L. No. 109-282.

In addition, in October 2006, a change was made to the FPDS-NG that will allow NASA to start collecting Buy American Act exception information for its fiscal year 2007 purchases, in response to a fiscal year 2006 appropriations act<sup>4</sup> governmentwide reporting requirement. Also, in response to this reporting requirement, the Federal Acquisition Regulation (FAR) was changed on September 28, 2006, requiring offerors to provide “Place of Manufacture” data. According to agency officials, along with this information, contracting officers will be required to enter into the FPDS-NG the appropriate Buy American Act exception category for procurements of items that are manufactured outside of the United States—one of these categories being U.S. obligations under trade agreements. On October 6, 2006, NASA issued guidance to its contracting officers on how to enter Buy American Act exceptions data into the FPDS-NG. This information will enable NASA to collect the data needed to meet its reporting requirements.

NASA procurement officials told us that contracting officers will need additional training to properly input new data elements, such as information on the Buy American Act exceptions, into the FPDS-NG. The FAR Acquisition Law Team, that participated in preparing the FAR changes, recommended that an on-line training module would be appropriate to assist contracting officers to understand how to determine the applicable exceptions to the Buy American Act. NASA plans to include training on Buy American Act exceptions as a part of its training planned for its contracting personnel when its new contract management system becomes operational in November 2006.

### **NASA Supplier Base Assessment**

With the exception of the Space Shuttle program, NASA is not collecting or analyzing data for its agencywide supplier base. For the Space Shuttle program, NASA has identified its active supplier base and made analyses for planning purposes. Such information collected agencywide could allow NASA to make an assessment of its total supplier base.

NASA officials told us that they do not track agencywide data on its suppliers, but that some individual NASA program offices may collect such data as needed. For example, NASA conducted a transition planning study<sup>5</sup> in 2005 for the phasing out of the Space Shuttle. As a part of the study, NASA collected supplier base data. The study, for example, identified 1,542 active suppliers spread across 43 states and analyzed a list of critical vendors on their capabilities and alternative sources. While a follow-on study was requested by the Space Shuttle Program supply chain manager

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<sup>4</sup> Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006, Pub. L. No. 109-115, § 837 (2005). The Act requires each federal agency to report to Congress on the amount of acquisitions from entities that manufacture the articles, materials, or supplies outside of the United States. The report should include the dollar value of any articles, materials, or supplies purchased that were manufactured outside of the United States, an itemized list of Buy American Act exceptions for these procurements, and a summary of the total procurement funds spent on goods manufactured in the United States versus funds spent on goods manufactured outside the United States.

<sup>5</sup> NASA, *Integrated Space Operations Summit III, Enabling Exploration, ISOS Space Shuttle Program Transition Panel Final Report* (Apr. 15, 2005).

to study the viability of some of the suppliers, the official told us that the study was cancelled due to a lack of funding.

### **Agency Comments**

We provided a draft of this letter to NASA for comment. NASA concurred with our report and had no comments.

### **Scope and Methodology**

To assess how NASA will track contracts and subcontracts performed overseas, foreign purchases, and the use of Buy American Act exceptions, we met with NASA officials to obtain information on NASA's FPDS-NG data tracking system; interviewed NASA officials on current tracking of foreign purchases and plans to collect data needed to meet reporting requirements; and met with other federal agency officials on proposed changes to the FAR and the FPDS-NG that would allow for the collection of foreign purchase and Buy American Act data. In addition, we analyzed contract files at NASA's Goddard Space Flight Center to determine how Buy American Act exceptions are documented.

To determine whether NASA collects and analyzes data to assess its supplier base, we interviewed NASA officials to determine what studies NASA has done to collect supplier base data and what type of data analysis has been conducted.

We conducted our work from May 2006 to October 2006 in accordance with generally accepted government auditing standards.

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As requested by your office, unless you publicly disclose the contents of this report, we plan no further distribution of it until 30 days from the date of this letter. At that time, we will send copies to NASA's Administrator and interested congressional committees. We will also provide copies to others upon request. In addition, this letter will be available at no cost on the GAO Website at <http://www.gao.gov>.

Should you or your staff have any questions on matters discussed in this report, please contact me at (202) 512-4841 or at [ChaplainC@gao.gov](mailto:ChaplainC@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Principal contributors to this report were John Neumann, Assistant Director; John Ting; and Kathryn Smith.



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