

**INSPECTOR GENERAL
FISCAL YEAR 2002 ESTIMATES
BUDGET SUMMARY**

OFFICE OF INSPECTOR GENERAL

SUMMARY OF RESOURCE REQUIREMENTS

	<u>FY 2000 OPLAN REVISED</u>	<u>FY 2001 OPLAN REVISED</u>	<u>FY 2002 PRES BUDGET</u>
	(Thousands of Dollars)		
Personnel & related costs.....	18,686	21,123	21,750
Travel	598	1,098	1,200
Operation of installation.....	<u>716</u>	<u>728</u>	<u>750</u>
Total.....	<u>20,000</u>	<u>22,949</u>	<u>23,700</u>
<u>Distribution of Program Amount by Installation</u>			
Headquarters.....	<u>20,000</u>	<u>22,949</u>	<u>23,700</u>
Total.....	<u>20,000</u>	<u>22,949</u>	<u>23,700</u>

INTRODUCTION

The NASA Office of Inspector General (OIG) budget request of \$23.7 million for FY 2002 is based primarily on 213 Full-Time Equivalents (FTEs). The personnel and related cost of the 213 FTEs represents approximately 92 percent of the total OIG budget request. At the requested level, the OIG will: (1) maintain a balanced inspection and audit program, including providing technical assistance and oversight of the audit of the Agency's financial statements as required by the Chief Financial Officers (CFO) Act; (2) concentrate investigative resources on procurement fraud and computer crime matters including emphasis on prevention initiatives; (3) work cooperatively with management by conducting inspections, assessments and reviews of issues identified by the OIG as well as those that are of concern to Agency management; and (4) deploy audit and inspections staff to timely provide feedback on NASA's re-engineering and streamlining initiatives. This budget level recognizes the fiscal constraints facing the Agency and the need for the OIG to provide quality products and services that are timely and meet our customers' needs. In light of budget constraints, the Inspector General continues streamlining activities to increase the mission capability of the OIG staff. Initiatives include continued conversion of administrative overhead positions to program assistants and analysts responsible for assisting on direct mission activities of the audit, investigative, and inspection missions; and matrixing existing personnel and

management analyst positions to support direct mission activities. In addition, the OIG continues to streamline and simplify communications and reporting channels, and improve computer and telecommunications capacities to further increase staff capabilities.

As NASA continues to downsize, establish new priorities, and modify its programs and operations within proposed budget constraints, efforts will continue within the OIG to concentrate staff resources on those programs and operations identified as the most critical and vulnerable to crime, fraud and abuse. Throughout this process, the OIG continues its cooperation with NASA management while assuring that the OIG's statutory independence is maintained. The OIG will continue to set priorities based on funding levels, program needs, Congressional and Administration concerns, and the results of OIG research and findings.

The OIG's missions include conducting independent audits, investigating, and inspecting/assessing/reviewing NASA's programs and operations while working as cooperatively as feasible with NASA's management and program managers. Audits will be prioritized and selected to evaluate programmatic, operational and financial management concerns, information technology systems and operations, and internal control vulnerabilities. The investigations program, with its computer crimes capability, will continue to place greater emphasis on the investigation of computer intrusions and frauds in which the computer was used as an instrument of the crime. The remaining investigation's program will focus on complex procurement and other fraud matters including fraud against the Government by contractor and Government employees, product substitution, bribery, kickbacks, and other procurement irregularities. Each investigative matter will be approached on a programmatic, priority basis to identify preventive initiatives. Inspections, assessments, and reviews will be conducted which support: management's interests and concerns in achieving NASA's programmatic objectives more efficiently and effectively; issues of Congressional concern; matters of high Agency vulnerability; and administrative inquiries related to unethical and improper conduct, waste and mismanagement.

OBJECTIVES AND STATUS

This request represents the OIG resources (FTE's) needed at NASA Headquarters and field offices to fulfill the OIG mission. Recognizing that every identified audit, investigations, inspections, assessments, and other workload reviews significantly exceed the available resources, continuous adjustments of priorities will be necessary to ensure: a balanced coverage of NASA's programs and operations is maintained; all critical and sensitive matters are promptly evaluated and investigated; and all OIG customers receive timely, accurate, and complete responses.

The OIG uses a formal, comprehensive process to identify, review, prioritize, and select the audits, inspections, evaluations, and reviews that are to be performed. The OIG assignments are derived from: (1) monitoring NASA's evolving initiatives in downsizing, re-engineering, commercialization, and privatization to determine opportunities for efficiencies and vulnerabilities; (2) selecting audits and reviews using a structured approach encompassing NASA's programs and operations and an external universe comprised of NASA's prime contractors, their subcontractors, and grantees; (3) addressing issues required by laws and internal regulations; and (4) a review of the Top Ten Management Challenges as provided by the OIG each year to the Congress and the Agency. The audits and reviews identified from these sources are prioritized and published in an updated inventory. The OIG will continue its NASA-wide program-oriented reviews to obtain greater visibility and awareness of issues related to NASA's major programs and initiatives.

Agency vulnerabilities are determined by taking into consideration the following: (1) whether program and project objectives are accomplished in the most cost effective manner and comply with safety and mission quality initiatives; (2) whether management's actions are sufficient to correct internal control weaknesses reported under the Federal Manager's Financial Integrity Act (FMFIA); (3) whether NASA's annual expenditure on information technology is providing expected programmatic and financial information needed to make sound decisions (NASA is one of the top ranked civilian agencies in information technology spending); (4) whether improvements are implemented in financial management systems, practices, controls, and information; (5) whether the audit follow-up system is effective in enabling management to maintain the status of corrective actions; and (6) whether Agency-wide corrective actions addressing environmental concerns are adequate. Each of the identified vulnerabilities are evaluated, prioritized, and included in our plans for further action.

Further, Agency program and project changes, growth, delays, and termination increase the need for OIG oversight of contractor/subcontractor/grantee cost, schedule, and performance effectiveness. The Agency is developing a number of technology programs that will be reaching critical milestones in FY 2002 and beyond that have not received audit coverage. NASA's continued reliance on contractors and grantees (about 86 percent of the Agency's total obligations are for procurement) will require increasing direct OIG involvement and oversight of Defense Contract Audit Agency (DCAA) and Health and Human Services (HHS) OIG audits of NASA contractors and grantees to ensure effective contract and grant execution and administration.

During FY 2002, the OIG will continue to focus attention and provide support to program managers on issues relating to: Earth Science, Space Science, Communications, Human Exploration and Development of Space, with an emphasis on the Space Shuttle and International Space Station programs, Aero-space Technology, Information Technology, and Space Transportation. The functional areas we will evaluate include Procurement and Contract Administration, Technology Transfer, Financial Management, Information Resources Management, Information Systems and Communications Security, and Facilities and Equipment. The OIG's Information Technology Audit Group will continue to focus on the security and integrity of NASA's major information systems and operations. Financial management's significance increased with the passage of the CFO Act. Pursuant to the Inspector General Act, we have selected independent auditors to render an opinion on the Agency's annual financial statements, its internal control structure, and its compliance with laws and regulations. DCAA audit activity and the audit of the annual financial reports required by the CFO Act, also referred to as the Agency Accountability Report, is funded elsewhere in the agency's budget. Our financial audits will concentrate on accounting controls, information systems, and required performance measurements.

The OIG will continue to monitor and assess NASA's high risk areas, material weaknesses, and areas of significant concern to ensure that corrective actions are implemented in a timely manner. Areas of emphasis will include: fiscal management; procurement and environmental programs; safety and mission assurance; biological and physical research; NASA information technology resources and security; institutional contracting practices; contract management; contractor cost reporting; allotment and budgetary controls; and financial reporting/general ledger. The defined audit and review workload far exceeds available staff. Continuous adjustment of priorities will be necessary in order to provide balanced coverage of programs and operations most vulnerable to abuse and mismanagement.

The OIG investigative workload continues to exceed the availability of investigative resources. The FY 2002 investigative staffing level will require OIG management to effectively manage the complex workload of investigative criminal and civil fraud matters. The establishment of the Computer Crimes Division (CCD) allows the OIG to investigate unauthorized intrusions into and compromises

of NASA and contractor computer systems, as well as assessing vulnerability to information terrorism. The CCD has an ever-increasing computer crimes investigative caseload. Past and current intrusions involve cyber extortion of NASA and contractor personnel, losses of communications services involving hundreds of thousands of dollars per intrusion, and use of NASA funded networks to further other criminal enterprises including the compromise of advanced technologies and industrial espionage. The number of complex procurement fraud cases also remains high. Such cases take longer to resolve and are resource intensive, thereby limiting our flexibility to expand the program. We are currently proactively focusing on program fraud areas identified by our audits as highly vulnerable to fraud. We are working with management to help us address all substantive allegations received, to refer more routine administrative matters to them for their resolution, and request that they keep the OIG advised of the action taken. Usually, the criminal investigators refer more serious administrative matters to the OIG Office of Inspections, Administrative Investigations, and Assessments (IAIA) staff for review. By referring matters to Agency managers and the IAIA staff to resolve, the OIG can reserve our investigative resources to address the more serious fraud allegations.

In summary, the OIG will continue to: improve scope, timeliness, and thoroughness of its oversight of NASA programs and operations; identify preventive measures; and enhance our capabilities to assist NASA management to efficiently and effectively achieve program and project goals and objectives.

SCHEDULE & OUTPUTS

<u>WORKLOAD</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
<u>Office Staff Ceiling</u>			
Full-Time Equivalents	192	213	213
<u>Investigations</u>			
Cases pending beginning of year.....	295	306	319
Opened during the year.....	172	189	207
Closed during the year	161	176	193
Cases pending end of year	306	319	333
<u>Computer Crimes Division</u>			
Cases pending beginning of year.....	22	47	102
Opened during year.....	63	175	250
Closed during year	38	120	150
Cases pending end of year	47	102	202
<u>Audits</u>			
Audits pending beginning of year.....	37	37	36
Opened during year.....	62	62	62
Closed during year	62	63	64
Audits pending end of year	37	36	34
<u>Inspections, Administrative Investigations, and Assessments (IAIA)</u>			
IAIA Administrative Investigations pending beginning of year	45	95	140
Opened during year.....	165	175	183
Closed during year	115	130	170
IAIA Administrative Investigations pending end of year	95	140	153
IAIA Inspections and Assessments pending beginning of year.....	11	16	17
Opened during year.....	17	12	14
Closed during year	12	11	13
IAIA Inspections and Assessments pending end of year	16	17	18

BASIS OF FY 2002 FUNDING REQUIREMENT

PERSONNEL AND RELATED COSTS

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
		(Thousands of Dollars)	
Compensation and Benefits	18,474	20,755	21,325
Compensation.....	14,873	16,687	17,145
(Full-time permanent).....	14,792	16,687	17,145
(Other than full-time permanent).....	81	0	0
(Overtime & other compensation).....	0	0	0
Benefits	<u>3,601</u>	<u>4,068</u>	<u>4,180</u>
Supporting Costs	212	368	425
Transfer of personnel	103	175	200
Personnel training.....	109	188	220
OPM Services.....	0	5	5
Total	<u>18,686</u>	<u>21,123</u>	<u>21,750</u>

FULL-TIME EQUIVALENTS

Full-time permanent	192	213	213
Other controlled FTEs	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>192</u>	<u>213</u>	<u>213</u>

These estimates provide the resources required for full staffing of NASA OIG's Information Technology Audit and Computer Crimes Divisions.

TRAVEL

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
	(Thousands of Dollars)		
Travel	598	1,098	1,200

Travel funding is required to carry out audit, investigation, inspection and assessment, partnerships and alliances, and management duties. Our budget allows for increases in per diem, airline costs, and workloads. We anticipate increased travel by our information technology audit and computer crimes teams. Also, in order to respond to NASA's changing priorities (and implementation of its centers of excellence and commercialization efforts), increased travel funds will be required to deploy staff located at field offices remote from the site where audit and investigation activities occur.

OPERATION OF INSTALLATION

	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>
	(Thousands of Dollars)		
Technical Services.....	379	280	300
Management and Operations.....	<u>337</u>	<u>448</u>	<u>450</u>
Total.....	<u>716</u>	<u>728</u>	<u>750</u>

Operation of Installation provides a broad range of services and equipment in support of the Office of Inspector General's activities.

The Technical Services estimate provides for all equipment, including purchase, maintenance, programming and operations of unique information technology (IT) equipment. NASA provides common services items such as office space, communications, supplies, and printing and reproduction at no charge to the Office of Inspector General. The funding for Technical Services will cover the cost of providing unique IT upgrades and replacement of unique equipment that has become outdated or unserviceable. As funding permits, in FY 2002, we will proceed with implementation of an OIG virtual private network and secure electronic mail, which is crucial in light of the sensitivity of our investigations, audits, and reviews. Also, we will continue to improve our management information systems and Computer Crimes capabilities.

The Management and Operations category includes miscellaneous expenses within the Office of Inspector General, i.e., GSA cars, the Inspector General's confidential fund, miscellaneous contracts, and supplies not provided by NASA.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

PROPOSED APPROPRIATION LANGUAGE

OFFICE OF INSPECTOR GENERAL

For necessary expenses of the Office of Inspector General in carrying out the Inspector General Act of 1978, as amended, [~~23,000,000~~], 23,700,000 (*Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act, 2000.*)