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**Statement of  
The Honorable Ronald R. Spoehel  
Chief Financial Officer  
National Aeronautics and Space Administration**

**before the**

**Subcommittee on Investigations and Oversight  
Committee on Science and Technology  
U.S. House of Representatives**

Mr. Chairman and Members of the Subcommittee, thank you for the opportunity to appear today to discuss the steps being taken at NASA to implement the American Recovery and Reinvestment Act of 2009 (P.L. 111-5), commonly referred to as the Recovery Act. My testimony will outline NASA's progress to date and the actions the Agency is taking to provide for the special accountability and transparency called for by the Act.

The Recovery Act entrusts NASA with the stewardship of just over \$1.0 billion in Recovery Act funds. Almost 95 percent of these funds, or \$950 million, are designated for expenditure on Science, Aeronautics and Exploration activities. Specifically, \$400 million has been appropriated for Science, \$150 million for Aeronautics, and \$400 million for Exploration. Of the remaining funds, \$50 million is for Cross-Agency Support, with the highest priority being given to restoring NASA-owned facilities damaged from hurricanes last year, and \$2 million is for the NASA Office of Inspector General.

While NASA is aggressively working to fulfill the Act's mandate of commencing Recovery Act activities and expenditures as quickly as possible, the Agency is also committed to managing Recovery Act funding under the heightened level of transparency and accountability demanded by Congress and the Administration. We want the American people to rest assured they will know where and how each of their Recovery Act dollars at NASA is being invested.

Reinforcing the Structures for Compliance with the Recovery Act and Initial Implementing Guidance for the Recovery Act

In my role as the senior agency Recovery Act official for the Agency, as designated by NASA's Acting Administrator, I am coordinating NASA efforts in planning, execution, reporting and oversight related to the spending of the Recovery Act funds appropriated for the Agency. These efforts began even before the Recovery Act was signed by the President

on February 17, and NASA has proactively considered the implications of the guidance from the Office of Management and Budget (OMB), even while still in draft form. Although the OMB guidance continues to evolve and NASA is still in the early stages of implementing its Recovery Act-specific processes and activities, it is my view that the Recovery Act can be successfully implemented at NASA within a framework that substantially relies on existing Agency processes and structures.

For example, NASA has well-established procedures for budget planning and execution. The teams involved in that process include staff from offices across Headquarters. These same teams already have the processes and internal controls in place, with slight modification, for the rapid planning and budget execution encouraged by the Recovery Act. In the month since the Recovery Act was signed into law, NASA already coordinated with Treasury to establish unique Treasury Fund Symbols covering all of its Recovery Act funding, identified how it will implement separate accounting of Recovery Act funds in its financial systems with new Work Breakdown Structure codes, and developed and reviewed with the Administration the Agency's initial spending plans for use of Recovery Act funds for restoration of hurricane-damaged facilities, together with required apportionments from OMB and warrants from Treasury. Planning also is well underway for the Science, Aeronautics and Exploration Recovery Act activities, and those should be complete in advance of the 60 day deadline for the Agency spending plan specified in the Conference Report accompanying the Recovery Act. In all of this activity, NASA is able to leverage its existing teams and processes to accomplish timely Recovery Act planning and budget execution.

NASA also will leverage its existing processes for internal controls and external reporting as the Agency implements the reporting and oversight requirements of the Recovery Act and the OMB guidance. Based on the information currently available on requirements, it is anticipated that NASA's processes or systems will require only minor modification for compliance with the final requirements. We do know, for example, that new reports will be required from NASA and other government contractors, and the Agency is in discussions with OMB about the need for new government-wide contract clauses to capture these requirements. Until such clauses and OMB's final requirements are approved, NASA will not know the full implications for how reporting and oversight is to be handled. However, our experience with other requirements, like developing and publicly posting weekly reports on Recovery Act activities, is that these have been readily implemented by the functional teams assigned. Overall, what we have seen so far leads us to believe that our functional teams involved in Recovery Act implementation are more than capable of developing and overseeing the timely implementation of the new reports and processes required.

NASA senior management recognizes that meeting the commitments of the President and the Congress will require sustained focus and accountability from all, particularly in the awarding, managing, and overseeing the contracts and grants receiving Recovery Act funds. Close coordination of the functional teams at NASA, with almost daily meetings at present, is intended to ensure that the Agency Recovery Act activities achieve both the quick implementation and the full accountability and transparency called for by the Recovery Act.

## Timeline for Funding of Agency Activities

The NASA planning process for Recovery Act activities and the associated allocation of funds is well underway, consistent with the direction provided by Congress and OMB guidance. Initial plans for the \$50 million in Cross-Agency Support appropriations for hurricane repair have been approved by OMB. Funding has been prepared for obligation under contract following submission of the spending plan called for in the Conference Report accompanying the Recovery Act and completion of the open procurement process. Each of the NASA Mission Directorates — the organizations responsible for Agency mission programs and projects — which received appropriations under the Recovery Act are developing program plans for Agency review. Once these plans are finalized within NASA, as anticipated in the next few weeks, they will be provided to OMB for Administration review and, subsequently, submitted as part of the Agency spending plan as directed in the Conference Report accompanying the Recovery Act. Following that submission, the Agency will distribute the funds to the allocated projects, begin the procurement processes to award new contracts and tasks on existing contracts, and then obligate these funds.

## Ensuring Fair and Competitive Awards, and Knowledgeable Procurement and Grants Management Staff

NASA has well established processes and procedures for effectively and efficiently planning, awarding and managing a substantial volume of contract and grant awards. Over the last four years, the average amount of NASA's annual procurement obligations was over \$15 billion. As such, the \$1.0 billion of Recovery Act funds, most of which will go to contract awards, represents just over 6 percent of NASA's annual amount of contract and grant obligations. While some changes to Agency processes will be needed to meet special Recovery Act requirements, the increase in total procurement activity represents only a modest increase over current annual levels.

Consequently, NASA intends to continue utilizing its standard proven procedures for Recovery Act funding, in substantially the same way as for regular appropriations, in order to ensure that Agency and Government financial controls and accountability standards are maintained. These procedures begin with the project planning and approval process, which in this case includes identifying specific project activities that meet approved Recovery Act plans, and are consistent with NASA goals and priorities as established by the President and the Congress. NASA's financial system provides controls over the distribution of these funds, so only approved Recovery Act projects will receive funds – in NASA this occurs through the centralized financial system via approved Work Breakdown Structure codes.

The Agency acquisition process complies with the Federal Acquisition Regulation (FAR) and the NASA FAR Supplement, both of which provide the regulatory guidance on the announcement, solicitation, evaluation, and award processes to ensure that each procurement is conducted in a fair and equitable manner. In addition, in 2007, NASA developed and published a set of NASA Procurement Tenets, which outline a framework for conducting procurements that meet the Agency's requirements with the best business approach for the

Agency. These tenets are consistent with, and in substance reflect, many of the essential elements of the President's Memorandum on Government Contracting issued on March 4, 2009. For example, NASA's third tenet requires the Agency's programs and projects to maximize and optimize competition when acquiring supplies and services. This requires early and ongoing communication with all personnel involved in the procurement process, and the NASA Office of Procurement will be a part of the review process for specific implementation plans in order to ensure compliance with procurements regulations, NASA Procurement Tenets, the OMB Guidance related to the Recovery Act, and the Recovery Act.

Further, oversight of the procurement process is maintained through several means. A strong communication network exists between the Office of Procurement at NASA Headquarters and the procurement staff at each NASA Center. For example, regular teleconferences are held with the procurement officers across the Agency, enabling the rapid dissemination of policy and the honing in on issues as they arise in the field. In addition, the Assistant Administrator for Procurements holds monthly reviews of major procurements, providing a regular opportunity to review each Center's activities in greater detail. Further, procurement surveys are conducted on-site at each Center on a periodic basis. These surveys encompass intensive reviews of individual procurements, permitting a validation that the proper process has been followed in compliance with applicable laws and regulations. And, those are further supplemented by oversight and internal control reviews conducted regularly by the Agency.

NASA recognizes that these processes can only be effective if it maintains a skilled and knowledgeable cadre of acquisition professionals. To this end, NASA has established and maintains a rigorous procurement training program that provides its contracting workforce with the competencies and skills necessary to perform well in the increasingly complex and ever changing acquisition environment. In addition, NASA's contracting certification program requires fulfillment of education requirements, training, experience, and continuous learning points. Prior to receiving a new warrant, a contracting professional must be certified at the appropriate certification level. NASA also concentrates on continuously improving specific skills of the procurement workforce, such as cost and pricing skills, to ensure that the Agency receives the overall best value in the award of contracts and grants.

In addition to established training, detailed information regarding the award and administration of contracts and grants, specifically designed for the Recovery Act funding, is currently being developed and planned for dissemination by the Office of Procurement to the NASA procurement community via the Agency's Center Procurement Officers. This information will be used to supplement the established policies and procedures at each NASA Center for the review and approval of processes leading to the award of contracts and grants, and the subsequent administration of those contractual vehicles. Stringent oversight will be implemented both at each Center and at Headquarters to ensure that the Recovery Act milestones and requirements are met.

## Conclusion

In closing, NASA is committed to a robust and comprehensive program that meets the requirements of the Recovery Act and other relevant guidance and laws. The effective, efficient, and responsible use of the resources that have been provided to NASA is good stewardship. NASA is committed to carrying out this stewardship to achieve the objective of the Administration and Congress to expedite Recovery Act project spending within increased standards for transparency and accountability.

I would be happy to respond to any questions you or the other Members of the Subcommittee may have.