Satellite Program Audit Highlights Performance Oversight Challenges

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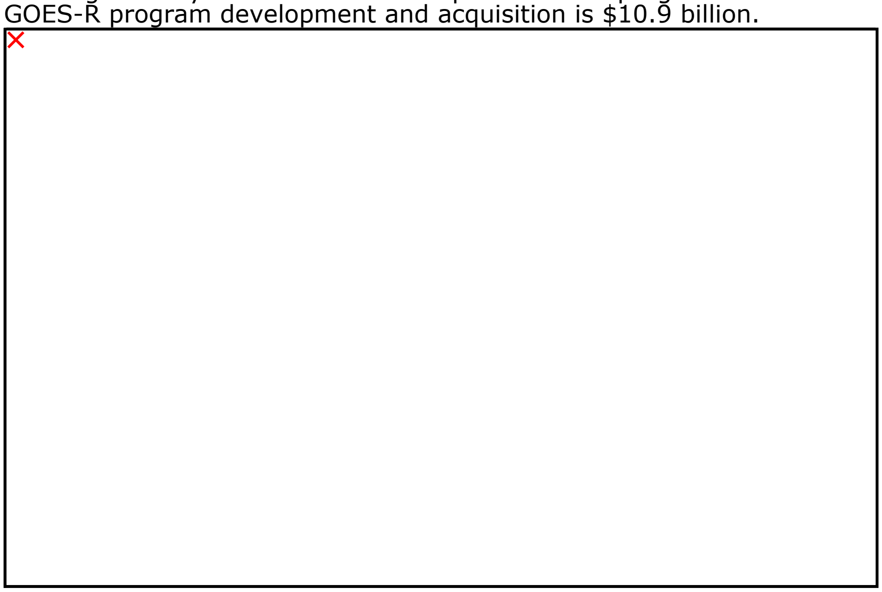
The Department of Commerce's FY 2014 budget request of $8.6 B provides for increased funding to the National Oceanic and Atmospheric Administration (NOAA) to support critical weather satellite programs, Earth observations, and other science stewardship responsibilities. At a time when efficient performance is increasing emphasized, the history of delays and cost overruns makes these satellite programs a target for additional oversight. The mission critical Geostationary Operational Environmental Satellite-R Series (GOES-R) was subject to an investigation by NOAA's Inspector General (OIG). Recently, OIG released audit results advising that mitigation approaches and cost controls were necessary.

The GOES-R satellites are part of NOAA's National Environmental Satellite, Data and Information Service (NESDIS). These satellites obit 22,300 miles above Earth, generating images every 15 minutes to monitor temperatures, solar activity, and support search and rescue activities. The next generation of GOES satellite is being developed by NOAA in conjunction with NASA. The GOES-R series consists of four satellites (GOES-R, -S, -T, and –U), with the first satellite scheduled for launch in October 2015.

Funding stability is now one of the top risks in the program's risk charts. The expected lifecycle cost for the GOES-R program development and acquisition is $10.9 billion.



According to the audit, an increase of $186 million for FY 2013 and an additional $150 million for FY 2014 are needed. Despite over $1 billion in contractor cost increases and $264 million in previous year budget adjustments, the program is not expected to exceed its life-cycle budget. However, the current budget plan must be sustained for the program to stay on track. Delays would mean needing to maintain the contractor workforce for a long time, and, at the current rate of $71 million per month, that would increase the life-cycle costs.

The GOES-R Satellite Ground Segment monitors and controls NOAA's GOES-R satellites. The FY2014 IT budget request included $246.8 million for this investment, entirely for development, modernization and enhancement (DME). This total is a four percent drop from FY 2012 levels. The core ground segment is performed under a contract awarded in May 2009, for $736 million over a 10-year period. OIG audit found that NOAA accepted a development approach that was not flexible, which resulted in increased costs.

OIG's audit made seven recommendations. Four recommendations were addressed to NOAA's Deputy Under Secretary for Operations:

1. Develop and communicate tradeoff approaches to mitigate launch delays.
2. Disseminate information to stakeholders and users about tradeoffs made to meet the target launch date.
3. Maintain robust systems engineering by directing NESDIS to provide periodic reports to the NOAA Program Management Council.
4. Improve contract administration and management by directing the policy for managing contract actions.

Three recommendations were directed to NOAA's Assistant Administrator for Satellite and Information Services to ensure steps were taken by NASA to limit cost overruns and improper award fees:

5. Evaluate contractors' proposals and subsequent plans to verify technology readiness requirements.

6. Modify contract award-fee structures for the Advanced Baseline Imager (ABI), Geostationary Lightning Mapper (GLM), and GOES-R spacecraft to align with the current NASA's Federal Acquisition Regulations (FAR) Supplement.
7. Adjust future award fee structures to incentivize contractors and control costs.

NOAA agreed with five of the seven recommendations from the audit. The two that NOAA did not concur with involved the award-fee structure and incentivizing contractors.

NOAA asserts that the contract awards for ABI, GLM and the spacecraft pre-dated NASA's 2011 FAR Supplement, effectively exempting them from compliance. In response, OIG suggested that NOAA consider the use of the current Supplement as a way of improving contractor incentives, rather than looking at the awards as a situation of compliance. Since NOAA is in the process of determining award fees for contractors, the suggested that collaboration with NASA would improve methods and plans for setting award fees.

As for the future award fees for ABI, NOAA appealed to an example where the current method resulted in improved performance. The OIG was not satisfied with this explanation, noting that this example occurred prior to the periods addressed in their findings

The report also detailed the ban on OIG and Government Accountability Office (GAO) attendance of Program Management Council (PMC) meetings. NOAA offered that one reason for restricting access stemmed from a recommendation received in July 2012 by the NESDIS Independent Review Team (IRT) to limit satellite oversight activities. According to the audit report: "Over the past 3 months, while OIG has been banned from PMC meetings and waiting for NOAA to resolve this issue, NOAA has spent approximately $429 million on its GOES-R and JPSS programs. Restricting OIG attendance hampers our oversight of these high-cost, challenging, primary mission-essential programs and our ability to effectively provide independent assessments to Congress and our other stakeholders."

The strain between NOAA and its OIG could draw out points for organizations to be mindful of as they work to share improve return on investments and effectively share information and best practices. As agencies look to increase program oversight, points of contention around management practices and incentivizing contractors will need to be ironed out to avoid impeding efforts to drive performance efficiency and savings.

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