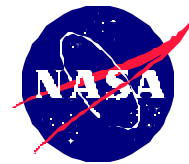


National Aeronautics and
Space Administration

Office of Inspector General
Headquarters
Washington, D.C. 20546-0001



Reply to Attn of: **W**

March 23, 2001

TO: A/Administrator

FROM: W/Assistant Inspector General for Inspections, Administrative
Investigations, and Assessments

SUBJECT: Langley Research Center Exchange Activities, G-00-001

The Office of Inspector General (OIG) conducted an inspection of the Langley Research Center (Langley) Exchange, as part of our overall review of NASA Exchange operations.¹ The purpose of our review was to determine whether Exchanges are managing operations and activities in accordance with NASA Policy Directive (NPD) 9050.6E, *NASA Exchange Activities*,² other applicable statutes and regulations, and sound business and management practices.

The Langley Exchange, an instrumentality of the Government, is responsible for operating activities that contribute to the efficiency, welfare, and morale of Langley employees. The Exchange's activities and operations are primarily funded with nonappropriated funds.³ The Langley Exchange operates a cafeteria, a diner, vending machines, a gift shop, a lounge, a gym, a child care center, an activities association, and a business office. We found, in general, that the Langley Exchange offered many and varied programs and activities benefiting the Langley workforce. However, we offered recommendations aimed at improving Langley Exchange business practices and compliance with governing guidelines.

As an example of our concerns, we found that Center management used Langley Exchange funds for activities for which appropriated funds were available, including the Administrator's Fund. We raised similar concerns in our review of the Glenn Research Center (Glenn) Exchange. We also found the Exchange was not observing several requirements of NPD 9050.6E. Key Center officials, pursuant to the NPD, had not fulfilled some management

¹ The OIG's inspection unit is conducting comprehensive reviews of Center Exchange operations, activities, business practices, procedures, and policies. The OIG's auditors are performing quality control reviews of the Exchanges mandatory external audits. The review of the Langley Exchange external audit was issued on March 8, 2000.

² NPD 9050.6E is applicable to NASA Headquarters and NASA Centers, including component facilities.

³ Nonappropriated funds are monies not appropriated by the United States Congress. The Langley funds are derived primarily from the sale of goods and services to Center personnel and visitors.

oversight responsibilities regarding Exchange activities. The Exchange and the Center also did not fully comply with regulations required in implementing and reporting of the Randolph-Sheppard Act (as was also found with the Glenn Exchange). One purpose of the Randolph-Sheppard Act is to either provide preference to the blind in operating vending facilities located on Federal property and buildings or to collect a percentage of vending machine income for employment and education programs for the blind.

Management concurred with all of the recommendations contained in the report.

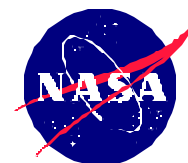
[original signed by]

Roberta L. Gross

Enclosure
Langley Research Center Exchange Activities, G-00-001

National Aeronautics and
Space Administration

Office of Inspector General
Headquarters
Washington, D.C. 20546-0001



Reply to Attn of: W

March 23, 2001

TO: Langley Research Center
Attn: 106/Director

FROM: W/Assistant Inspector General for Inspections, Administrative
Investigations, and Assessments

SUBJECT: Langley Research Center Exchange Activities, G-00-001

The Office of Inspector General (OIG) is reviewing NASA Exchange (Exchange) activities. The purpose of our review is to determine whether Exchanges are managing operations and activities in accordance with NASA Policy Directive (NPD) 9050.6E, *NASA Exchange Activities*,¹ and other applicable statutes and regulations.

In the course of conducting our review, management implemented corrective action for two of our observations. These observations and corrective actions are described in Appendix B.

I. BACKGROUND

The Exchange, an instrumentality of the Government, is responsible for operating activities that contribute to the efficiency, welfare, and morale of Langley employees. The Exchange's activities and operations are primarily funded with nonappropriated funds.²

The Exchange is subject to oversight by Langley management. The Center Director is responsible for the general management of the Exchange and has delegated oversight of Exchange operations to the Langley Associate Director for Business Management. The Exchange Council (Council), whose members are appointed by the Center Director, is responsible for overseeing Exchange financial and operational activities. The Council is comprised of a Chair who also serves as Exchange Operations Manager (Operations

¹ NPD 9050.6E is applicable to NASA Headquarters and NASA Centers, including component facilities (See Appendix A).

² Nonappropriated funds are monies not appropriated by the United States Congress. The Langley Exchange funds are derived primarily from the sale of goods and services to Center personnel and visitors.

Manager), an Exchange Treasurer (Treasurer), and representatives from various Center organizations. Currently, the Exchange operates a cafeteria, a diner, vending machines, a gift shop, a lounge, a gym, a child care center, an activities association, and a business office.

The Chair/Operations Manager, a civil service employee in the Langley Office of Safety, Environment, and Mission Assurance, is primarily responsible for oversight of the Exchange. Specific assignments include overseeing the Exchange Gift Shop, cafeteria, diner, lounge, gym, and vending operations; working closely with Exchange managers and employees; and evaluating performance and compensation levels of the Exchange Business Manager. In addition, as the Operations Manager, the Chair is also Langley's focal point for ensuring the Center's compliance with the Randolph-Sheppard Act (RSA) requirements governing certain preferences granted to organizations supporting sight-impaired individuals.

The Langley Exchange is comprised of five Branches:

1. Management and Policy Office (Business Office),
2. Cafeteria and Food Services,
3. Langley Child Development Center (LCDC),
4. Exchange Gift Shop (Exchange Shop), and
5. Langley Activities Association (LAA).

Each Branch has a paid Branch Manager – employees of the Exchange. The LAA, which sponsors clubs and activities, also has an elected Executive Board. The Center Director appoints the President of that board, who also serves as a Council member. Four Council members and the Business Manager serve as Oversight Managers of the Exchange's Branches.

The Business Manager, an employee of the Exchange, manages the Business Office and is primarily responsible for managing the Exchange business operations and overseeing the day-to-day operations of the various business activities (the cafeteria, the Exchange Shop, the Business Office, and the LCDC). The Business Manager is also the Oversight Manager of the Exchange Shop. Employees of the Exchange report to their respective Branch Managers, who ultimately report to the Chair/Operations Manager.

In the last few years, Center downsizing (and the attendant loss in Exchange customer base) and required daycare certification³ have resulted in decreased receipts and profits for the Exchange. Consequently, the Exchange does not have the same level of profits from which to fund activities.

³ President's Memorandum for the Heads of Federal Departments and Agencies, dated March 10, 1998, requires independent accreditation for all Federally sponsored childcare in the Executive Branch – leading to additional costs and expenses to maintain accreditation standards.

II. EXCHANGE EXPENDITURES

A. Financial Condition of the Langley Exchange

Each year the Langley Exchange Council prepares and submits financial statements to an independent public accounting firm for audit purposes. The accounting firm reviews the financial information to determine whether the combined financial statements are free of material misstatement. On November 12, 1998, the accounting firm of Eggleston Smith P.C., Certified Public Accountants, stated that the combined financial statements present fairly, in all material respects, the combined financial position of the Langley Exchange as of September 30, 1997 and 1998.⁴ The audit report does not comment on the financial condition or management of ongoing Exchange financial operations.

We reviewed the Exchange's financial statements for fiscal years (FY) 97, 98, and the preliminary statements for FY 99. We noted an alarming trend with respect to the financial condition of the Exchange. Our analysis noted the following:

Table 1. NASA Langley Exchange Council and Activities

	FY 97	FY 98	FY 99*
Revenues	\$1,159,456	\$1,216,658	\$1,225,418
Operating Expenses	<u>1,213,132</u>	<u>1,282,171</u>	<u>1,316,008</u>
Gain (Loss) from Operations	<\$53,676>	<\$65,513>	<\$90,590>
Other Revenue	<u>52,952</u>	<u>48,718</u>	<u>31,424</u>
Increase (Decrease) in Net Assets	<724>	<16,795>	<59,166>
Ending Net Asset Value	<u>\$680,341</u>	<u>\$663,546</u>	<u>\$604,380</u>

* At the time of our inspection FY 99 figures were preliminary and unaudited.

The information shows that the Exchange has been losing money from their actual, day-to-day business operations (**Gain (Loss) from Operations**) for 3 consecutive years.⁵ These losses reduce the ending value of net assets as carried on the Exchange financial books and records.⁶ The independent auditor's report neither mentions the trend nor comments on the material significance of these figures.

⁴ The NASA OIG performed a quality control review of the Eggleston Smith P.C. audit of the Langley Exchange. This report was issued March 8, 2000.

⁵ The Annual Report of Exchange Activities for fiscal year 1996 states losses for FY 96 to be <\$55K>, FY 94 <\$20K>, FY 93 <\$38K>, and FY 92 <\$75k>. Only FY 95 realized a profit of \$53K.

⁶ Between FY 97 and FY 99, the value of net assets decreased over 11 percent due to the write off of approximately \$76,500 in operating losses. Net assets are equivalent to equity or retained earnings.

Our review of the Exchange Council meeting minutes⁷ found little mention of the escalating losses or evidence of any discussion regarding a trend or pattern in those losses. Some Council minutes reflect a discussion about financial data incorporated in periodic cost reports, but there is little or no analysis of the nature of the losses, their severity, or impact on the overall financial condition of Exchange.

When asked about the overall financial condition of their Exchange activity, the majority of Branch Managers believed their operations were generally solvent. When presented with our financial composite, most branch managers downplayed the significance of the figures. Some stated that depreciation expenses were not real losses, only paper losses. Other managers preferred to emphasize that after adding back other revenues,⁸ the losses are not as significant. One manager stated the financial losses were not a driver in conducting Exchange operations – that employee morale was more important than financial gain or loss.

Recommendation 1: The Exchange Council, with the assistance of the Langley Chief Financial Officer, should conduct a thorough analysis of expenses and then develop an operating plan aimed at achieving financial solvency.

B. Check Signing Controls Should Be Tightened

Langley Exchange Council Policy Directive, dated October 18, 1996, gives purchase authority to Exchange Oversight Managers for purchases under \$5,000. The Exchange Council must approve all expenditures over \$5,000. The Business Manager oversees the disbursements of each of the five Exchange Branches and the Treasurer reviews the check registers.

Requiring two signatures on all checks is a good business practice that strengthens internal controls over the disbursement of funds. In addition, the inclusion of dual signatures provides immediate as well as after-the-fact documentary evidence that expenditures are effectively controlled and less vulnerable to misappropriation of Exchange funds by a single individual.

Recommendation 2: The Center Director should ensure that the signatures of two Exchange members are required for all checks.

⁷ The *Minutes of the Meetings* are recorded transcripts of Exchange Council agenda items and related operational topics of discussion. Historically, the Council held monthly business meetings. However, between October 9, 1996, and November 25, 1997, the Council suspended regular scheduled meetings. No record exists of Council's actions during that timeframe.

⁸ Other revenues (expenses) which the Exchange Council recognizes include miscellaneous income, Combined Federal Campaign qualifying contributions, interest and dividend income, U.S. Department of Agriculture subsidies, and investment (gain or loss).

C. Reviews, Approvals, and Use of Funds

The Council, as a collective body, reviews most requests for support and authorizes Exchange expenditures. The Council also approves an annual subsidy to the Langley Office of External Affairs (OEA).⁹ The OEA uses the subsidy to fund its hospitality fund and discretionary fund. For FY 99, the subsidy to the OEA totaled \$3,000.¹⁰ The OEA autonomously manages its subsidy.¹¹ After incurring expenses, the OEA quarterly notifies the Exchange Chair that the hospitality fund needs to be reimbursed and provides a list of the most recently incurred expenditures.

Council members generally did not know what activities the OEA was funding.¹² During our review, some Council members expressed their view that the OEA subsidy should be, but is not being, used for activities that support the majority of Langley employees. In addition, through the OEA subsidy, the Exchange has expended its limited funds on other activities more properly supported by appropriated funds. For example, when supplies, magazines and newspapers are needed, the OEA should approve and pay for such items. In addition, when employees from NASA Headquarters and other Centers visit Langley, the Exchange should not provide meals to these individuals. This official expense should be paid for out of the travelers' authorized per diem.¹³

Finally, official reception and representation expenses are more properly paid for from the Congressionally appropriated Administrator's Fund rather than from the Exchange.¹⁴ The Center Director may request monies from this fund for these types of expenditures or use other appropriated funds consistent with recently revised General Services Administration (GSA) regulations governing the purchase of refreshments at government-sponsored conferences.¹⁵ The use of appropriated funds for such authorized activities would permit the

⁹ This office is responsible for Langley's media and public outreach activities.

¹⁰ The stated purpose of the hospitality fund is for functions in which all employees can participate in or benefit from and for Center presentations approved by the Director for protocol purposes. The stated purpose of the discretionary fund is for protocol purposes to cover items and events that indirectly benefit Langley.

¹¹ More than 10 years ago, the Exchange and the OEA entered into a memorandum of understanding.

¹² Appendix C shows OEA expenditures for the last 3 years.

¹³ See Appendix C.

¹⁴ NPD 9050.4F, *Administrator's Fund*, dated March 2, 2000, establishes policy and procedures governing the use of the funds provided by annual NASA Authorization and Appropriations Acts. The Administrator's Funds may be used for expenses incurred for official reception and representation (See Appendix D). The NASA OIG previously recommended that the Associate Administrator for Headquarters Operations "issue supplemental guidance on the use of the Administrator's Fund for official reception and representational expenses, and provide for sub-allocations to individual Centers, as necessary" (Glenn Research Center Exchange Activities, G-99-016, dated September 29, 2000).

¹⁵ The GSA, which has the authority to issue regulations governing Federal employee travel, has revised the Federal Travel Regulations to expand the provisions regarding conferences. The specific rule is 41 CFR PART 301.74--CONFERENCE PLANNING. The principal criterion is that the majority of attendees have to be in a travel status, as the legal authority to pay for refreshments is under conferences and meetings that involve travel.

application of Exchange proceeds to reducing the Langley Exchange operating deficit and/or to funding employee recreational and welfare activities.

During our review, the Associate Director for Business Management directed that the OEA-managed Exchange funds be reassigned to the Council. Representatives from the Office of the Chief Financial Officer, the Office of Chief Counsel, and the Office of Procurement were also directed to help the Council establish a new process for funding public affairs activities that support Langley personnel. The Associate Director for Business Management also agreed that Center management would request support from the Administrator's Fund, as appropriate.

Recommendation 3: The Center Director should ensure that appropriated funds are used to pay for official Agency expenditures in accordance with underlying policy as provided in NPD 9050.4F and associated NASA Procedures and Guidelines (NPG).

D. Supporting Documentation

Some OEA expenditures were not supported by adequate documentation. For example, the OEA acquired pen sets, mugs, hats, bookends, and lunches. The supporting invoices do not show who received the merchandise or who attended the lunches. Although OEA officials could recall the disposition of some items, there was inadequate documentation in the file to provide accounting of the expenditures. Without proper documentation, the OEA, and ultimately the Exchange, cannot demonstrate funds were utilized appropriately.

Recommendation 4: The Center Director should ensure that expenditure files are properly maintained and adequately documented to include identifying persons or organizations benefiting from the expenditures and the recipient of such items as gifts and lunches.

E. Annual Listing

The Exchange does not publish and distribute an annual accounting of Exchange activities and expenditures to include abbreviated financial statements and a list of funds provided to various Center programs and activities. Since Langley employees provide financial support to the Exchange, they should receive a published accounting of how their financial support was used.¹⁶

Recommendation 5: The Council should ensure that an annual accounting of Exchange activities and expenditures which includes abbreviated financial statements as well as a listing of funds provided to various Center programs and activities is published and distributed to Langley employees.

¹⁶ According to the Chair, the Council is discussing the idea of doing a series of Center newsletter articles on the Exchange.

F. Chief Financial Officer Responsibilities

NPD 9050.6E details specific responsibilities of officials overseeing NASA Exchange Activities. Section 5.E states the Center Chief Financial Officer (CFO) shall monitor the Exchange's adherence to the NPD and review the financial statements and audit reports to ensure that the Exchange is financially sound and that responsible business practices are being followed.

We interviewed the Langley CFO and discussed the overall Exchange and individual Branch operations. When asked his opinion of the overall financial condition of the Langley Exchange, he replied that he generally believes the Exchange is performing in good working order and is financially sound. When we presented our financial composite to him, and went over supporting line item figures in detail, he expressed surprise and concern about the financial condition of the Exchange.

Subsequent to this meeting, the CFO issued a letter on December 14, 1999, to the Chair of the Langley Exchange. The CFO stated his concern that a review of the financial reports concluded that operations were not consistent with sound business practices. The letter cited his concern over the 3-year trend of net losses from operations and requested a plan to alleviate the continued negative cash flow. The Exchange Chair's response to the CFO's letter was due by the end of March 2000, but as of the date of this report, the response has not been received.

Recommendation 6: The CFO should institute a process for periodically reviewing the Exchange's financial condition.

G. Chief Financial Officer Internal Review

The Associate Director for Business Management requested that the Langley Management Control Officer conduct an internal review of Exchange Operations. The results were forwarded to management on June 15, 1999. As of June 2000, the Exchange had not implemented the recommendations contained in the report – citing other workload priorities and the OIG inspection as reasons for not implementing the recommendations. However, Langley management states corrective actions will be implemented.

The internal review included a survey, policy and procedure review, interviews, and a position description review. The Executive Summary states:

During the review, a condition of non-compliance with NASA and LaRC [Langley] Policy Directives [LAPD] was identified as related to the following: Exchange organizational structure; Exchange Council appointed positions, membership tenure, and meeting requirements; Exchange employee position duties and responsibilities; and Exchange Council oversight of Exchange business operations. Also, regulations appropriate to Exchange management (policies and procedures) are a

requirement of NPD 9050.6E, and LAPD 9050.6.... Exchange has some policies: Personnel (Employee Handbook), Depreciation, Procurement, and Investments. However, Procurement and Investments policies reflect inadequacies and/or non-conformance with policy directive.

The review's findings are detailed and specific to NASA and Langley policy. The recommendations are appropriate and relate to findings included in the OIG review. The review did not include cash and inventory management or the Exchange financial condition. The Exchange would benefit from a review of those areas.

Recommendation 7: The Center Director should ensure that the recommendations of the internal review are implemented.

Recommendation 8: The Management Control Officer should review Exchange cash and inventory management.

III. RANDOLPH-SHEPPARD ACT

Under the RSA, 20 USC 107 et. seq., state rehabilitation agencies recruit, train, license and place individuals who are blind, as operators of vending facilities located on Federal and other properties. The Secretary of Education is responsible for promulgating regulations for and providing oversight of Federal agency compliance with the RSA. Further guidance is set forth in 34 CFR Part 395. 34 CFR § 395.30 (a) states:

Each department, agency, or instrumentality of the United States in control of the maintenance, operation, protection of Federal property shall take all steps necessary to assure that, wherever feasible, in light of appropriate space and potential patronage, one or more vending facilities for operation of blind licensees shall be located on all Federal property provided that the location or operation of such facility or facilities would not adversely affect the interest of the United States. Blind persons licensed by State licensing agencies shall be given priority in the operation of vending facilities on any Federal property.

Federal agencies may be exempted from RSA based on justifications provided in writing and approved by the Secretary of Education.¹⁷ Such exemptions are to be published in the Federal Register. Title 20 USC § 107d-1 also stipulates that the Secretary of Education shall convene a panel to arbitrate RSA disputes.¹⁸

¹⁷ See 20 USC § 107b-3.

¹⁸ See 20 USC § 107d-1.

The Center Director is responsible for ensuring the Exchange observes Department of Education regulations in implementing the RSA. One purpose of the RSA is to either provide preference to the blind in operating vending facilities located on Federal property and buildings or to collect a percentage of vending machine income for employment and education programs for the blind. Exceptions are vending machines within retail sales outlets under the control of military Exchanges or ships' stores systems authorized by Title 10, or income from vending machines operated by the Veterans Canteen Service. Also excepted is the total vending machine income of less than \$3,000 annually at individual locations, installations, or facilities and not competing with a blind vending facility. An individual location consists of one machine or a group of machines.¹⁹ A building can have more than one individual location.²⁰

The Exchange contracts its food and drink vending operation to an outside contractor separate from its cafeteria operation. The vending contractor pays the Exchange an annual commission based on a percentage of sales. Under the RSA, once vending income for a machine or group of machines exceeds the \$3,000 threshold, all profit income including the first \$3,000 is subject to an assessment payable to the State Licensing Agency at a percentage rate (100 percent, 50 percent, or 30 percent) determined according to several factors. We believe that Langley should be paying 50 percent of vending machine income meeting the \$3,000 threshold to the State Licensing Agency under the terms of the RSA.²¹

Table 2. Langley Exchange Total Commissions and Shared Vending Income

	FY97	FY98	FY99
Total Vending Commission	\$92,411	\$98,436	\$93,863
Reported Applicable Shared Income	\$20,990	\$28,817	\$28,111
Paid to Randolph-Sheppard State Licensing Agency	\$10,495	\$14,409	\$10,922

The Exchange determines individual locations by building rather than by vending machine or group of vending machines. The Exchange totals all vending commission income meeting \$3,000 per building, and subtracts 50 percent to determine the income sharing percentage. The Exchange then subtracts administrative expenses for trouble and refill calls from the 50 percent and distributes the remainder to the State Licensing Agency.²² The Exchanges may

¹⁹ See 34 CFR 395.32

²⁰ Definition of individual location is based on an interview on February 29, 2000, with Chief, Vending Facilities Branch, Department of Education, Rehabilitation Services Administration.

²¹ 20 USC, § 107d-3(b)(1) states that after January 1, 1975, 50 percent of all vending machine income from vending machines on Federal property which are not in direct competition with a blind vending facility shall accrue as specified in subsection (a) of this section in the event there is no blind licensee operating such a facility on such property, to the State agency in whose state the Federal property is located. See also 34 CFR § 395.32.

²² 20 USC 107e (8) "vending machine income" means receipts (other than those of a blind licensee) from vending machine operations on Federal property, after cost of goods sold (including reasonable service and

not deduct administrative costs from income sharing because administrative costs are deducted from the vending contractor's commission.²³

As a result of this erroneous method of calculation, the Exchange submitted inaccurate RSA Annual Reports of vending machine income to NASA Headquarters from 1995 through 1998 (the 1999 report was not yet available). In the RSA report, *Part III Vending Machine Income from Vending Machines Under the Control of the FPMA*, the column titled "\$ Amount Collected by FPMA [Federal Property Managing Agency]" should contain the total commission a commercial vending concessionaire pays to the Exchange. The Exchange enters only income subject to RSA income sharing provisions (i.e., the amount distributed to the State Licensing Agency).

Recommendation 9: The Center Director should ensure that the Center, including the Exchange, observes Department of Education regulations in implementing the RSA.

Recommendation 10: The Center should notify the State Licensing Agency and negotiate an appropriate agreement concerning its obligations under RSA and accurately report its vending income to NASA Headquarters accordingly.

IV. EXCHANGE BRANCHES

Our team reviewed each of the 5 Exchange Branches. Our observations, findings, and recommendations for each Branch appear below.

A. Langley Activities Association

1. Physical Access Controls

Physical access controls are weak for the unclassified safe maintained in the LAA Business Office. Six different individuals²⁴ have the combination to the safe, which usually contains a minimum of \$1,000 in cash.²⁵ Prudent security practices suggest that no more than two

maintenance costs), where the machines are operated, serviced, or maintained by, or with the approval of, a department, agency, or instrumentality of the United States, or commissions paid (other than to a blind licensee) by a commercial vending concern which operates, services, and maintains vending machines on Federal property for, or with the approval of, a department, agency, or instrumentality of the United States.

²³ Clarified by Chief, Vending Facilities Branch, Department of Education, Rehabilitation Services Administration.

²⁴ LAA Branch Manager, three LAA board members, and two Langley civil servants who work part-time for the LAA.

²⁵ Typically, the safe has \$1,000 for LAA bingo, \$250 for petty cash and \$125 for the cash register in the LAA Afterburners Lounge.

individuals have access to this type of safe and that the combination be retained in a sealed envelope by a trustworthy third party.²⁶

In addition, keys to the LAA Business Office and inventory storage areas hang unsecured on a wall hook inside the office. The keys control access to the building, the Business Office as well as to soda, beer, liquor and food storage bins. One key operates a storage cabinet, which contain bingo card playing sheets and “*Popp Open*” bingo lottery tickets. Another key operates the Afterburners Lounge cash register. Over 20 LAA employees have access to the keys.

We noted that the LAA Business Office was the site of a previous theft. An LAA employee was caught taking Bingo lottery tickets out of an office storage cabinet. The unlocked cabinet was located immediately adjacent to the front door. Although this employee was subsequently dismissed, controls over the storage of the bingo lottery tickets were not tightened.

Recommendation 11: The LAA President should have the safe combination changed and provide the combination to no more than three individuals in accordance with prudent security practices.

Recommendation 12: The LAA should ensure controls over the storage of the bingo playing cards and lottery tickets, as well as other inventory storage areas, are tightened.

Recommendation 13: The Center Director should ensure that a comprehensive evaluation of physical access controls of the LAA business office is conducted and corrective actions initiated accordingly. The keys to the LAA business office and inventory storage areas should be removed from open access and secured in a limited access location.

2. Sales, Inventory, and Cash Controls

We identified internal control weaknesses associated with several LAA activities that need to be independently evaluated. The following summarizes some of our observations and concerns:

a. Afterburners Lounge (Lounge). The Lounge is co-located with the Reid Conference Center and operates for the morale of Langley employees. The Lounge sells food, beverages (including alcohol) and other consumer items. For this LAA operational activity we observed:

- (1) After a night operations shift, ending inventory records totals were greater than beginning inventory. This error is significant because the ending inventory totals are the basis of calculating the profit/loss from operations. Lounge employees should record actual inventory levels.
- (2) Lounge management does not perform periodic reconciliations of consumables sold (as recorded on the register tapes) to the consumables inventoried. For example, there

²⁶ Our team consulted the Langley security office on this issue.

has been no attempt to compare the number of drafts drawn from a keg of beer to the number of drafts sold as recorded on cash register tapes.²⁷

- (3) The cash register is not periodically calibrated to ensure accurate register tape readings. We reviewed several cash register tapes with incorrect date and time recordings (off by several hours and minutes, compounded by errors in recording a.m. versus p.m.). In addition, the Activities Manager is unfamiliar with the abbreviated symbols that appear on the register tape.²⁸
- (4) Lounge policy is that customers are not allowed to run a bar tab beyond the course of an evening. However, a review of one accounts receivable posting disclosed the entry was for a Lounge tab of \$15. The tab was subsequently determined to be for a member of the LAA Board of Directors, which oversees the operation of the Lounge.

Our interview of the LAA Branch Manager disclosed that although she has held the position for 3 years she has never received any formal training in such areas as business management (including assessing internal controls), restaurant or lounge operations management, or inventory management.

b. Annual Turkey Shoot. The Turkey Shoot is an annual target shooting competition hosted on-Center by the LAA. Competitors bring their shotguns to the event after registering their weapons with guards at the main gate. Participants compete for prizes that include turkeys and hams. For this LAA operational activity we observed:

- (1) For the October 23, 1999, Turkey Shoot, a blank sheet of paper with hash marks was used to record sales. This sheet was void of any cashier identification or signatures indicating certifications of amounts recorded.
- (2) The profit/loss analysis for this activity was not completed until almost 6 weeks after the event and the related documents contained numerous cross-outs and errors. A tally sheet prepared by the cashier at the time of the Turkey Shoot declared a cash overage of \$2.25. The December 3, 1999, profit/loss statement shows raffle ticket sales to be \$912.00. However, when the cash and profit/loss statement for this event was submitted to the Exchange Business Manager, another cash error was detected and raffle ticket sales were adjusted to \$918.50.
- (3) For the 1998 Turkey Shoot, the cash register from the Lounge was used to record sales. However, the cash register was not calibrated. The register tape shows the beginning time for the Turkey Shoot began as 12 a.m. when it actually began at 9 a.m. The tape also reveals 17 “No Sales” entries and 1 “Void” entry which could not be explained by the LAA Activities Manager.

²⁷ The June 15, 1999, *Internal Review of Langley Exchange Operations* draft report mentions that in the past there were stories that liquor/beer and supplies were not properly controlled.

²⁸ The individual customer sales on the register tape for the 1998 Turkey Shoot, totaled 114. Of that amount, 17 were recorded as “No Sales.” When asked about the tape entries, the Activities Manager stated she was unaware the register tape was recording customer “No Sales” and expressed surprise with the high ratio, admitting the figures appeared unusually high.

c. Bingo Operations. Bingo is the largest revenue producing activity sponsored by the LAA. The LAA's gross sales for fiscal year FY 99 were \$252,830.²⁹ Of that amount, bingo sales accounted for \$147,587 (58 percent). For this LAA operational activity we observed:

- (1) Although the LAA Activities Manager has oversight responsibilities, the Manager had little insight as to how bingo operations were carried out. Instead, a retired civil servant with 25 years of institutional knowledge about bingo operations is responsible for managing and operating this activity.
- (2) Bingo "lottery tickets" are kept in an unlocked office cabinet. This cabinet is easily accessible and, as previously noted, is subject to theft. The manufacture's listing of serial number "winners" is co-located with the lottery ticket inventory in a supply cabinet that has a broken lock.³⁰ This listing signifies how many winning tickets are outstanding and their payoff amounts.
- (3) Bingo game playing cards are kept in the same unlocked cabinet as the lottery tickets. These game cards have a monetary value as game participants are charged \$1, \$5, \$7, or \$10 per game pack.

Recommendation 14: The Langley Chief Financial Officer should ensure that an independent assessment of internal controls over LAA business operations is conducted. The assessment should include a study of controls over sales recording practices, physical inventory methods, and cash handling procedures.

Recommendation 15: The LAA Branch Manager should ensure scheduled calibration of the cash register at the Afterburners Lounge.

Recommendation 16: The LAA Branch Manager should receive formal training in business subjects directly related to overseeing LAA business operations.

3. *Sponsored Events*

For the last several years, the LAA has sponsored an annual Turkey Shoot on Langley premises (see previous section). Approvals for this event were obtained from the Head, Office of Security and Public Safety, and the Head, Office of Safety and Facility Assurance, and the Chief of Police for the City of Hampton. However, there are two issues of concern associated with this event that should be addressed by Center and Exchange management.

First, we believe promoting the sale of alcoholic beverages at a firearms shooting event is not prudent because of fundamental safety concerns. NPG 1620.1, Chapter 6.3, *Control and Issuance of Firearms*, primarily applies to security officials. However, this policy recognizes that there should be "no use of intoxicants, which is forbidden," when a weapon is carried. During the 1999 event, 33 Turkey Shoot participants registered their shotguns at the Langley

²⁹ Based on preliminary figures reported in the LAA Income Statement for 12 months ending September 30, 1999.

³⁰ The LAA Activities Association main office is co-located in a wing of the Reid Conference Center. Although the conference center makes extensive use of video surveillance cameras, the Lounge and the LAA Activities office are not included in the video surveillance network despite the fact these areas handle cash extensively and are the location of two safes and the liquor and lottery ticket inventories.

main gate. We were alarmed to learn that during the course of the event, participants were permitted to consume alcohol and return to the shooting range.

Second, the LAA Business Manager did not timely prepare the profit and loss statement for the event.³¹ The LAA Business Manager prepares a profit and loss statement after each LAA event to help the Board determine whether the event is profitable. Since the LAA has limited funds, the timely preparation and review of a profit and loss statement after an event is a critical management control. In addition, the LAA must ensure that its funds are used to support activities that benefit the most Langley employees. Since only 33 individuals participated in this event and the event's profit was \$437.19, this may not have been the best use of LAA's limited resources.

Recommendation 17: The LAA Board, in coordination with Center management and the Exchange Council, should ensure that alcohol is not served at LAA events that involve weapons.

Recommendation 18: The LAA Board should ensure that event profit and loss statements are documented and completed in a timely manner.

B. Langley Child Development Center

The LCDC, operating as a non-profit organization, provides a valuable service to the Langley workforce. The LCDC's customers include Langley civil servants, support service contractors, and some Langley Air Force Base employees. An Exchange Council-appointed Oversight Manager provides guidance and direction to the LCDC, serves as liaison with Langley management officials, and serves as Chair of the Langley Child Development Center Advisory Board. The LCDC Director provides supervisory oversight of day-to-day operations. The Advisory Board, the LCDC's Oversight Manager, and the Council monitor the LCDC's program. Parents of the enrollees also provide a yearly evaluation of the center.

An outside entity, Hernandez Engineering, Inc., evaluated the LCDC for occupational health and safety and found that it fully meets the criteria for evaluation in all levels of the center (infant, toddler, and pre-school). A report prepared by Thomas Nelson Community College, Hampton, Virginia, rated the LCDC as a quality program, safe and secure for the children. However, the report noted that the program has outgrown its facility and needs to consider adding to the existing structure or building a new center.

Prior to last year, the LCDC was self-sufficient. The facility currently enrolls up to 125 children with a waiting list of 100. The LCDC is currently preparing for mandatory accreditation evaluation scheduled for later this calendar year. The LCDC may face accreditation problems related to meeting space requirements and teacher certification. The LCDC's inability to accommodate more children and the requirement to meet the proper

³¹ The event was held on October 23, 1999, and the profit and loss statement was not completed until December 6, 1999.

certification for teachers has caused the LCDC to adjust its enrollment. As enrollee vacancies opened they were not filled because the LCDC had to reduce the number of enrollees to meet space requirements imposed for accreditation. As a result, the LCDC has suffered financial losses. The LCDC increased teacher salaries to attract and accommodate a more highly qualified staff. Suggestions have been made to raise tuition rates and to make the Director position a civil servant position.

Recommendation 19: Center management and the Exchange Council should research other avenues of providing funds, including the proper use of appropriated funds, to accommodate a larger facility, to attract more qualified staff, and to meet accreditation requirements without sustaining financial losses.

C. Cafeteria and Food Service

Our review of the cafeteria records and accounts indicate that they are complete and in good order. The overall conditions of the cafeteria seemed to be in compliance with general health and cleanliness standards.

Although the cafeteria manager reported breakfast sales and the cafeteria's catering business have increased, the cafeteria has lost revenue in the last 2 years. These losses have been attributed to such things as: (1) reduced customer base due to downsizing, (2) competition from "mom and pop" stands located within the various buildings on the Center, (3) outside food service establishments are patronized instead of the cafeteria's on-site catering service. To offset the loss of revenue, on June 1, 2000, the Exchange raised the prices of cafeteria food.

Recommendation 20: To further increase revenue, the Exchange Council should actively promote the use of cafeteria catering services to Center management, employees, and other customers.

V. EXCHANGE CONSTITUTION AND BYLAWS

NPD 9050.6E, paragraph 5.a.(1), requires Center Directors to establish a constitution, bylaws, and regulations appropriate to Exchange management. The Langley Center Director, however, has not established a formal constitution or bylaws for the Exchange. According to the Chair and several Council members, Draft Operating Procedures (dated November 24, 1999), NPD 9050.6E, and LAPD 9050.6, *NASA Langley Exchange*, essentially serve as the Exchange's constitution and bylaws.³²

³² LAPD 9050.6, *NASA Langley Exchange*, prescribed the guidelines and responsibilities governing the management and funding of the NASA Langley Exchange. The LAPD was effective March 3, 1992, and was subsequently cancelled on August 3, 1999. LAPD 1150.2, *Boards, Panels, Committees, Councils, and Teams*, cancelled and replaced LAPD 9050.6. LAPD 1150.2 does not address guidelines and responsibilities governing the management and funding of the NASA Langley Exchange or terms of appointment.

Recommendation 21: The Center Director should ensure that a constitution, bylaws, and regulations are promulgated for the Langley Exchange. This guidance should be disseminated to the Council members and should be made available to all members of the Langley community.

VI. EXCHANGE COUNCIL MEMBERS AND MEETINGS

A. Appointment of Council Members

The Chair/Operations Manager also served as Secretary from October 6, 1996, to August 30, 1998. LAPD 1150.2, *Boards, Panels, Committees, Councils, and Teams*, dated July 29, 1999, states the Center Director appoint a Secretary. The Council voted to nominate an acting Secretary. Although NPD 9050.6E designates the Chair and Operations Manager as separate positions filled by Center employees,³³ LAPD 9050.6, as amended, formally designates the current Chair to serve as Operations Manager. Whereas NPD 9050.6E states the Operations Manager “shall direct management of the Exchange within the NPD and rules and recommendations of the Council as approved by the Center Director,” the LAPD holds the Chair responsible to carrying out established policies and directing the management of the Exchange Branches in accordance with the recommendations of the Council. The LAPD also designates both Chair and Operations Manager (which is currently a combined position) as responsible for RSA requirements and further designates responsibility for interfacing with State Licensing Agencies and for day-to-day operations of the Exchange and Cafeteria oversight to the Chair. We believe NPD 9050.6E calls for separate and distinct positions of Exchange Chair and Operations Manager.

The LAPD³⁴ requires Branch Oversight Managers to be Council members. Four of the Branch Oversight Managers are regular Council members. The Business Manager serves as Oversight Manager for the Gift Shop. The associated NPD and LAPD clearly state that Council members perform their duties without compensation from the Exchange. No paid Exchange employee may be a Council member. Although the Business Manager should provide information to and advise the Council, the Business Manager should not perform the governmental functions of either a Council member or an Oversight Manager.³⁵

While each Exchange Branch may need an Oversight Manager, we believe the Council should designate a qualified member to manage Exchange Branches and activities.

³³ NPD 9050.6E, paragraph 5.a (5), states the Center Director is responsible for “[a]ppointing an Exchange Council of no less than five Center employees and designating one member as Chairperson, one as Treasurer, and one as Exchange Operations Manager.”

³⁴ See LAPD 9050.6, Attachment A, Management Section, a.

³⁵ The Langley Office of the Chief Financial Officer Report, *Review of Exchange Operations*, dated June 18, 1999, includes a Langley Office of Chief Counsel (OCC) evaluation of the Exchange paid Business Manager’s position description noting that the Business Manager performs duties which are Treasurer and Council Member responsibilities.

Recommendation 22: The Center Director should appoint an Operations Manager to the Council in accordance with NPD 9050.6E.

Recommendation 23: The Center Director should ensure no paid Exchange employee performs the duties of a Council member.

Recommendation 24: The Council should appoint a civil servant as Oversight Manager for the Gift Shop.

B. Meetings

Historically, the Council held monthly business meetings. However, between October 9, 1996, and November 25, 1997, the Council suspended regularly scheduled meetings. The Council continued to conduct business and to disburse funds. No record exists of the Council's actions during that timeframe. The Chair stated that Center downsizing and reorganization did not allow time for Council meetings.

Meetings are held at the discretion of the Chair pursuant to NASA guidelines. However, regularly scheduled Council meetings would provide improved oversight, greater diversity of opinion about the proper use of funds, increased internal control, and a better mechanism of communication for all Council members.

Recommendation 25: The Center Director should implement a structured meeting schedule to enhance the effectiveness of the Council. The requirement of regular meetings and full and complete minutes should be adequately reflected in the constitution, bylaws, and regulations.

VII. SUMMARY AND EVALUATION OF NASA MANAGEMENT RESPONSE

We received and evaluated NASA management's response to the draft report (See Appendix E). NASA management concurred with all 25 of our recommendations and provided planned actions, action officials, and an overall completion date of June 30, 2001. Recommendations associated with end of FY 2001 review of cash and inventory will be completed at the end of the review. We consider these 25 recommendations resolved pending verification of corrective action. A summary of our recommendations appears in Appendix F.

VIII. CONCLUSION

NASA Exchange operations were established to operate activities that contribute to the efficiency, welfare, and morale of all its employees. Generally, Langley management and the Exchange are providing many and varied programs and activities of benefit to the Langley workforce. Management's implementation of the recommendations contained in this report will enhance Exchange oversight and strengthen management controls.

David M. Cushing

8 Enclosures:

Appendix A: NPD 9050.6E, *NASA Exchange Activities*, dated December 2, 1997

Appendix B: Corrective Actions Taken by Langley Management in Response to Recommendations Made During the Inspection

Appendix C: Listing of Discretionary and Hospitality Fund Expenditures for Fiscal Years 1997 – 1999

Appendix D: NPD 9050.4F, *Administrator's Fund*, dated March 2, 2000

Appendix E: NASA Management Response

Appendix F: Summary of Report Recommendations

Appendix G: Report Distribution

NASA Office of Inspector General Reader Survey

MAJOR CONTRIBUTORS TO THIS REPORT

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Appendix A

**NPD 9050.6E NASA *Exchange Activities*,
dated December 2, 1997**



**NASA
POLICY
DIRECTIVE**

**Directive: NPD 9050.6E
Effective Date: December 2, 1997
Expiration Date: December 2, 2002**

Responsible Office: J / Office of Management Systems

Subject: NASA Exchange Activities

1. POLICY

a. Center Directors may establish at NASA Centers and Component Facilities under their jurisdiction a NASA Exchange and branches to operate activities contributing to the efficiency, welfare, and morale of NASA personnel. For this purpose, the Associate Administrator for Headquarters Operations, NASA Headquarters, has corresponding authority for Headquarters.

b. Exchanges are instrumentalities of the United States, with associated privileges, rights, and immunities. To ensure this status, Exchanges must be under NASA's control, and ownership interests must be with the Government. Therefore, all organizations using NASA or Exchange facilities shall be determined to be either an Exchange element (instrumentality) or independent. Instrumentalities shall be under Exchange control; independent organizations and their equipment and facilities shall be separated from and not controlled by the Exchange. Approval for use of NASA or NASA Exchange facilities by independent organizations shall be based upon activities proposed and the organization's ability to satisfy requirements such as insurance. Approval will not establish an independent organization as an instrumentality. Exchanges will not manage or supervise independent organizations.

c. Exchanges may, by contract or otherwise--

(1) Operate food services.

(2) Operate vending machines within Center buildings and grounds, to the extent that such operation is not inconsistent with law and regulations.

(3) Promote activities, including clubs or recreation associations, contributing to the efficiency, welfare, and morale of NASA employees.

(4) Use and acquire real property and facilities to achieve Exchange objectives (subject to subparagraphs g. and h.).

(5) Sell goods and provide services approved by the Center Director, so long as they do not unduly compete with local merchants.

(6) Conduct other activities authorized by the Center Director with the prior concurrence of the Center Chief Counsel and the Center Public Affairs Officer, when activities involve the public and are clearly in NASA's and its employees' interests.

d. Exchanges shall sell goods or services at the lowest prices consistent with operation costs and financial needs.

e. Participation in activities may include NASA employees and retirees, their family members and guests, Government contract employees, and

official visitors.

f. Store privileges may be denied to a patron who resells purchased merchandise.

g. A Center Director may authorize use of NASA-controlled real property and existing facilities for Exchange activities, provided use does not interfere with official business.

h. Proposals for real property acquisition for Exchange activities by lease, purchase, or otherwise shall have the concurrence of the Center Director and Chief Counsel and be forwarded for concurrence by the Director, Facilities Engineering Division, NASA Headquarters, prior to approval by the Exchange Operations Manager. Proposed expenditures for new Exchange facilities or proposed expenditures in excess of \$50,000 for modification of existing Exchange facilities shall also be forwarded for concurrence by the Director, Facilities Engineering Division. The Exchange Operations Manager, with the Center Director's concurrence, may approve normal maintenance and repair of facilities or replacement of equipment.

i. Activities shall generally be supported by nonappropriated funds under the Exchange's sole jurisdiction. Center Directors may authorize use of appropriated funds to provide for cafeterias, purchase and maintenance of cafeteria equipment, other facilities, and equipment necessary for Exchange activities, with the prior concurrence of the Center Chief Counsel and Chief Financial Officer (CFO).

j. Exchange procurement of materials, supplies, or services with nonappropriated funds is not subject to procurement statutes and regulations applicable to NASA, except as made applicable by statute or regulation. As practicable, however, Exchange procurement practices shall conform to NASA's practices.

k. Unless inappropriate due to the nature of an Exchange contract, a clause shall be included in each Exchange contract stating that the contractor will indemnify and hold harmless the United States, its agents and instrumentalities (including the Exchange), and representatives, officers, and employees thereof, from any and all claims, demands, actions, debts, liabilities, judgements, and costs arising out of, claimed on account of, or in any manner predicated upon, the loss of or damage to property, or injury to or death of any person(s), in any manner caused or contributed to by any action or omission of the contractor, its agents, representatives, or employees.

l. Concession contracts shall be competed and negotiated by the Exchange in general accordance with the Federal Acquisition Regulation (FAR) and NASA FAR Supplement, unless not in the best interests of the Exchange. Center procurement staff shall assist in such procurements. The Center Chief Counsel shall concur and the Center Director shall approve the contract. A copy will be forwarded to the Office of Management Systems and Facilities, NASA Headquarters.

m. Exchanges shall obtain liability insurance, as determined by the Exchange Council and Center Director. The United States shall be named as an additional insured.

n. Exchanges shall collect, pay, and report applicable Federal taxes. By authority of Congress, a State may impose and collect tax on sales made by an Exchange concessionaire located on a Federal area. A State may not levy and collect such a tax on sales made by the Exchange itself (4 U.S.C. Sections 105-107). Exchanges shall collect and pay State and local use and sales taxes only after determining applicability. Withholding and paying Federal and State income taxes on Exchange employees shall conform to policy applicable to appropriated fund employees of NASA at the same location. Exchange employees are subject to 5 U.S.C. 8501-8503, Unemployment Compensation.

- o. If an Exchange is terminated, its assets become United States property.

2. APPLICABILITY

This NPD is applicable to NASA Headquarters and NASA Centers, including Component Facilities.

3. AUTHORITY

- a. 42 U.S.C. 2473(c) Section 203(c) of the National Aeronautics and Space Act of 1958, as amended.
- b. 20 U.S.C. 107 et seq.
- c. 4 U.S.C. 105-107.

4. REFERENCES

28 U.S.C. 1346, 1491.

5. RESPONSIBILITY

- a. Center Directors are responsible for the following:
 - (1) Establishing a constitution, bylaws, and regulations appropriate to Exchange management.
 - (2) Operating the Exchange and its elements in a business-like manner.
 - (3) Authorizing Exchange use of NASA-controlled real property and facilities and submitting real property acquisitions and facility projects to NASA Headquarters, in accordance with paragraph 1.h.
 - (4) Ensuring that Exchanges observe Department of Health and Human Services regulations in implementing the Randolph-Sheppard Act Amendments of 1974, 20 U.S.C. 107 et seq.
 - (5) Appointing an Exchange Council of no less than five Center employees and designating one member as Chairperson, one as Treasurer, and one as Exchange Operations Manager. A listing of the Council Members will be forwarded to the Office of Management Systems and Facilities, NASA Headquarters.
- b. The Exchange Operations Manager shall direct management of the Exchange within this policy and rules and recommendations of the Council as approved by the Center Director.
- c. Council members perform their duties without compensation from the Exchange. No paid Exchange employee may be a Council member. The Council shall meet as necessary at the Chairperson's discretion. Minutes of its meetings shall be kept on file. The Council shall--
 - (1) Promote Exchange objectives and determine the extent of Exchange support of welfare and morale activities.
 - (2) Ensure that operation of organizations established with its permission and under its control conforms with this NPD.

(3) Change policies, organizational structure, scope of activity, rules, or business practices, with the Center Director's approval. The Office of Management Systems and Facilities, NASA Headquarters, will be advised of significant changes prior to their implementation.

(4) Establish and maintain safeguards for the protection of the Exchange's property and supplies to prevent pilferage or unnecessary loss and provide for periodic inventories.

(5) Review financial statements, activity budgets, and reports to ensure operation of a sound, business-like organization, and provide for an annual audit of books and records of the Exchange and its elements by a qualified party independent of the Council. Copies of a consolidated September 30 Exchange balance sheet and income statement, with supporting financial statements for each element, and the annual audit report shall be submitted to the Center CFO by December 31.

(6) Submit an annual report on Council activities to the Center Director, including plans for the next fiscal year. A copy of the annual report will also be forwarded to the Office of Management Systems and Facilities and the Office of Financial Management, NASA Headquarters.

d. The Center CFO shall monitor Exchange adherence to this NPD and review financial statements and audit reports to ensure that the Exchange is financially sound and that responsible business practices are being followed.

e. The Center Chief Counsel or, for Headquarters, the Associate General Counsel (General Law) shall be responsible for providing guidance on legal and regulatory matters to the Council, including matters pertaining to the applicability of Government procurement statutes and regulations to Exchange procurements, and matters pertaining to the collection and payment by the Exchange of State and local use and sales taxes. See subsections 1.j. and 1.n. of this NPD. The appropriate NASA legal counsel shall also be responsible for concurring on concession contracts and on proposals for acquisition of real property for Exchange activities.

f. The Associate Administrator for Management Systems and Facilities, or designee, shall be responsible for the following:

(1) Monitoring the Center's adherence to this directive through regular input as spelled out in Sections 1.1, 5.a(5), 5.c(3), and 5.c(6) above and through periodic visits and reviews.

(2) Concurring on proposed exceptions to this directive.

(3) Issuing such supplemental guidelines and procedures as may be necessary to implement this directive.

g. The NASA Office of the CFO shall be responsible for the preparation and distribution of any required consolidated Agency financial reports, as well as oversight of related financial activities.

6. DELEGATION OF AUTHORITY

None.

7. MEASUREMENTS

Exchanges will report on their activities and financial status as stated in paragraph 5.c(5).

8. CANCELLATION

NMI 9050.6D dated April 8, 1994.

Daniel S. Goldin

Administrator

ATTACHMENT A: (TEXT)

None.

(URL for Graphic)

None

DISTRIBUTION:

SDL 1

NODIS

Appendix B

Corrective Actions Taken by Langley Management in Response to Recommendations Made During the Inspections

OBSERVATION 1

Council Membership

The Exchange Council (Council), whose members are appointed by the Center Director, is responsible for overseeing Exchange financial and operational activities. The Council is comprised of a Chair who also serves as Exchange Operations Manager (Operations Manager), an Exchange Treasurer (Treasurer), and representatives from various Center organizations.¹

The Business Manager serves as both the ex-officio Council member and Oversight Manager for the Gift Shop. The NPD and LAPD clearly state Council members perform their duties without compensation from the Exchange. No paid Exchange employee may be a Council member. Although the Business Manager should provide information to and advise the Council, the Business Manager should not perform the governmental functions of a Council member.²

Recommendation

We recommended that the Center Director should assure no paid Exchange employee serves on the Council.

Action Taken

The Associate Director for Business Management stated that the Business Manager erroneously used the term ex-officio when describing her involvement with the Council. The Chairman provided verbal assurance the misconception would be alleviated. The Business Manager no longer performs Exchange Council secretarial functions such as preparing council meeting minutes.

¹ The Exchange Business Manager, an Exchange employee, also serves as an ex-officio member and is not appointed by the Center Director.

² The Langley Office of the Chief Financial Officer Report, *Review of Exchange Operations*, dated June 18, 1999, includes a Langley Office of Chief Counsel (OCC) evaluation of the Exchange paid Business Manager's position description noting that the Business Manager performs duties which are Treasurer and Council Member responsibilities.

OBSERVATION 2

Insurance Coverage

In accordance with NPD 9050.6E, Section 1.m., the Exchange Council maintains liability insurance. However, the United States is not named as an additional insured on the insurance policy as required.³ This oversight may place NASA in a position of liability without benefit of insurance. The Chair stated the renewal would include such a clause.

Recommendation

We recommended the Exchange should contact the responsible insurance company and request an addendum to add the United States as an additional insured.

Action Taken

The Associate Director for Business Management stated that a corrected addendum was submitted to the insurance company on April 7, 2000.

³ The Exchange has a commercial package policy through Lackey-Saunders Insurance Co., Inc., with American Employers' Insurance Company. On the common policy declaration page, the "NASA LRC Exchange" is listed as the named insured.

Appendix C

Listing of Discretionary and Hospitality Fund Expenditures for Fiscal Years 1997 - 1999

Fiscal Year 1997 Discretionary Fund Expenditures

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Item</u>	<u>Notation</u>
115	12/06/96	Individual	\$ 6.00	Patches sewn on flight jacket for Russian	* Unsigned check
116	02/04/97	NASA Langley Conference Center	30.00	Cost of one of the Code R meals at the VASC banquet; individual refused to pay	Head, PAO, directed this
117	02/28/97	Hi-Tech Engraving	12.00	One 2 x 3 brass plate	* Individual noted on invoice
118	03/05/97	C&J Engraving	29.00	One engraving of plates for bookends	*
119	04/28/97	Individual	35.00	Catalog related to the 204 investigation	No receipt for the catalog
120	05/07/97	Hi-Tech Engraving	12.00	Engraving for individual's plaque	Deposit
121	05/07/97	Hi-Tech Engraving	6.00	Two engraved "db pl blk" brass plates for plaques	Remaining balance due
122	05/14/97	Hi-Tech Engraving	12.00	Engraved plate for individual	Ames gift
123	05/21/97	NASA Langley Exchange Shop	120.00	Ten paperweights for speakers	*
124	06/05/97	NASA Langley Exchange Cafeteria	20.25	Individual luncheon	* \$54.00 total lunch; \$33.75 was collected
125	06/06/97	Hi-Tech Engraving	118.00	One 16 x 24 walnut, plexiglass for two photos, "db pl blk" brass plate	*
126		Void			
127	06/16/97	Individual	5.00	Program guide, EAA air show, 4/6/97, Lakeland, FL	Individual signed the check
128	07/21/97	Individual	30.83	Ten copies of Newsweek magazine	* For senior staff; Pathfinder article
129	07/22/97	Hi-Tech Engraving	28.00	Two engraved brass plates for bookends for individual	
130	08/14/97	Individual	7.84	Rubber bands for Oshkosh	
	07/23/97	Checks Ordered	12.95		
131	09/12/97	Unknown	18.50	Walnut board purchased for 737 ceremony	To individual
			<u>\$503.37</u>		

* Unable to determine who received/benefited from item/event.

Fiscal Year 1998 Discretionary Fund Expenditures

Check Number	Date	Payee	Amount	Item	Notation
132	10/08/97	C&J Engraving	39.00	Thirteen lines of engraving on plaque for individual for 737 ceremony	
133	11/07/97	Virginia Plak Limited	37.50	Stars of Mars plaque	Requested by Center Director for individual
134	11/07/97	NASA Langley Conference Center	42.00	Affordable Air Travel meeting	* Coffee and danish; Center Director sponsored event
135	12/15/97	Hi-Tech Engraving	72.00	Six plates (3 sets of 2) for customer supplied bookends	*
136	01/09/98	Individual	12.00	Cap for speaker	For individual
137	01/12/98	Hi-Tech Engraving	12.00	Plaque for individual	Fund may have been reimbursed
138	01/27/98	Individual	15.13	Sympathy cards and stamps	* Unsigned check; For use by the Center Director's Office
139	01/27/98	Individual	62.55	Three books for Congressional visitors	Unsigned check
140	01/27/98	Hi-Tech Engraving	12.00	Plaque for Head of Wright Labs	
141	02/02/98	NASA Langley Exchange Shop	80.00	Token presentations for volunteers for holiday luncheon	* 2 apothecary jars; 8 key chains; 11 tic-tacs; invoice contains mathematical errors
142	02/02/98	NASA Langley Exchange Shop	28.00	Plaque for Astronaut	
143	03/04/98	Hi-Tech Engraving	59.00	Speaker of the year plaque	Funding will be supplied via phone (credit card) from individual
144		Void			
145	05/07/98	Hi-Tech Engraving	12.00	Russian plaque engraving	*
146	05/26/98	NASA Langley Exchange Cafeteria	15.00	Kennedy Space Center Director's visit	* Coffee
147	05/26/98	Individual	9.48	Kennedy Space Center Director's visit	* Cream cheese and bagels
148	08/26/98	NASA Langley Conference Center	42.00	FAA Technical Center lunches, 5/26/98	* \$69.00 total lunch
149	08/26/98	NASA Langley Conference Center	9.00	Russian visitors on 5/7/98	* Coffee and doughnuts; Director's function
150	09/30/98	Pete Sudyks Trophies and Awards	<u>1,468.85</u>	NASA attire for Oshkosh	* Hats, t-shirts, golf shirts, sweatshirts, and small order fee**
			<u>\$2,027.51</u>		

* Unable to determine who received item or benefited from item/event.

**A deposit in the amount of \$1,449.00 was made on 9/28/98 (from checks received for attire).

Fiscal Year 1999 Discretionary Fund Expenditures

Check Number	Date	Payee	Amount	Item	Notation
151	03/18/99	NASA Langley Conference Center	\$ 8.00	Three bud vases (flowers) for Ukranian lunch	*
152	04/07/99	Individual	3.00	Six USA Today newspapers	*
153	06/20/99	NASA Langley Exchange Cafeteria	13.50	Box lunches for Administrator's visit	*
154	08/01/99	NASA Langley Exchange Shop	<u>22.50</u>	Three hats	Three Headquarters lunches For Administrator to give to flight crew for Oshkosh
			<u>\$47.00</u>		

* Unable to determine who received item or benefited from item/event.

Fiscal Year 1997 Hospitality Fund Expenditures

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Item/Event</u>		<u>Notation</u>
211	10/16/96	NASA Langley Conference Center	\$ 150.00	Lanier copier demonstration, 9/18-20/96	*	Punch and cookies
212	10/30/96	NASA Langley Conference Center	5.00	Colloquim, 10/1/96	**	Coffee
213	10/30/96	NASA Langley Conference Center	227.50	21st Century Workshop, 9/26/96	**	Coffee, punch, cookies donuts, tablecloths; open to all employees
214	10/30/96	NASA Langley Conference Center	35.00	Virginia State Fair meeting, 9/23/96	*	Coffee and cookies
215	10/30/96	NASA Langley Conference Center	5.00	Bloodmobile, 9/25/96	**	Coffee
216	10/30/96	NASA Exchange Cafeteria	25.00	State Fair meeting	*	Cake
217	12/13/96	NASA Langley Conference Center	62.50	Hispanic Heritage Month, 10/17/96	**	Punch, cheese sticks, tablecloth; unsigned check
218	12/13/96	NASA Langley Conference Center	5.00	Individual's visit, 11/21/96	*	Coffee; unsigned check
219	12/13/96	NASA Langley Conference Center	5.00	Colloquim, 11/12/96	**	Coffee
220	01/09/97	NASA Langley Conference Center	5.00	Bloodmobile, 11/27/96	**	Coffee
221	01/09/97	NASA Langley Conference Center	62.50	Wright Brothers Memorial lecture, 12/17/96	**	Punch, cookies, tablecloth
222	01/09/97	NASA Langley Conference Center	5.00	Colloquim, 12/3/96	**	Coffee
223	01/27/97	NASA Langley Conference Center	5.00	Colloquim, 1/7/97	**	Coffee
224	02/04/97	NASA Langley Conference Center	190.00	Aero Executive Council meeting, 1/22-23/97	*	Coffee, sodas, donuts, fruit, cookies
225	02/04/97	NASA Langley Conference Center	5.00	Bloodmobile, 1/22/97	**	Coffee
		Check Order Service Charge	13.00			
226	02/26/97	NASA Langley Conference Center	5.00	Colloquim, 2/11/97	**	Coffee
227	02/26/97	NASA Langley Conference Center	50.00	Black History Program, 2/12/97	**	Punch, cookies, tablecloth
228	03/28/97	NASA Langley Conference Center	95.00	Individual reception, 2/3/97	**	Coffee, sodas, cookies, peanuts, pretzels, chips and dip, tablecloths
229	03/28/97	NASA Langley Conference Center	44.00	FAA meeting, 2/11-12/97	*	Coffee, sodas, danish, muffins
230	03/28/97	NASA Langley Conference Center	5.00	Colloquim, 3/4/97	**	Coffee
231	03/28/97	NASA Langley Conference Center	25.00	Technology Commercialization Orientation, 3/7/97	*	Coffee
232	03/28/97	NASA Langley Conference Center	47.50	Women's History Month Panel, 3/11/97	**	Punch, cookies, tablecloth
233	03/28/97	NASA Langley Conference Center	60.00	Speakers' Bureau, 3/13/97	*	Punch, fruit tray, petit fours, tablecloths

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Item/Event</u>	<u>Notation</u>
234	03/28/97	NASA Langley Conference Center	82.50	Social for volunteers during Engineers' Week, 3/21/97	* Coffee, punch, cookies, tablecloth
235	03/28/97	NASA Langley Conference Center	5.00	Bloodmobile, 3/26/97	** Coffee
236	04/28/97	NASA Langley Conference Center	5.00	Colloquim, 4/8/97	** Coffee
237	04/28/97	NASA Langley Exchange Cafeteria	60.00	LLT1 review, 2/6-7/97; HQ requested review; therefore, considered a Director's event	* Coffee
238	05/12/97	NASA Langley Conference Center	146.30	Secretaries' Day, 4/23/97	** Coffee, orange juice, apple juice, donuts, muffins, danish
239	05/12/97	NASA Langley Conference Center	163.20	Take Our Daughters to Work Day, 4/24/97	** Coffee, juice, donuts, muffins, danish
240	05/12/97	NASA Langley Conference Center	5.00	Colloquim, 5/6/97	** Coffee
241	05/12/97	NASA Langley Conference Center	90.00	CTAP Program, 5/1/97	** Lemonade and cookies
242	06/05/97	NASA Langley Conference Center	5.00	Bloodmobile, 5/28/97	** Coffee
		Below minimum charge	5.00		
243	06/06/97	NASA Langley Discretionary Fund	300.00	Reimbursement	*
244	06/16/97	NASA Langley Conference Center	2.50	Colloquim, 6/3/97	** Coffee
245		Void			
246	07/22/97	NASA Langley Conference Center	2.50	Colloquim, 7/15/97	** Coffee
247	07/24/97	NASA Langley Conference Center	25.20	Industry Technology Leadership Team, 7/15/97	* Coffee, sodas, fruit, cookies
248	08/05/97	NASA Langley Conference Center	45.00	Silver Snoopy Awards	** Punch and cookies
249	08/05/97	NASA Langley Conference Center	5.00	Bloodmobile, 7/23/97	** Coffee
250	08/14/97	NASA Langley Conference Center	65.00	SDB forum, 7/23/97; Code R sponsored event in previous year; approval after the event to take out of "Director's Hospitality Fund"	* Coffee and muffins
251	08/14/97	NASA Langley Conference Center	45.00	MCLT, 7/8/97	* Punch and cookies
252	08/14/97	NASA Langley Exchange Cafeteria	28.30	Open house meeting, 7/22/97	* Coffee, juice, muffins, danish
253	08/20/97	NASA Langley Conference Center	2.50	Colloquim, 8/5/97	** Coffee
254	08/20/97	NASA Langley Conference Center	77.50	Women's Equality Day, 8/14/97	** Punch, cookies, tablecloth
255	08/29/97	NASA Langley Exchange Shop	1,350.50	Day of Caring T-shirts	**
256	09/24/97	Hi-Tech Engraving	49.00	LFCU appreciation plaque; open house	*
257	09/18/97	NASA Langley Conference Center	170.00	737 ceremony, 9/19/97	** Coffee, orange juice, munchkins tablecloths
			<u>\$3,872.00</u>		

*Unable to determine who received/benefited from item/event.

**Assumed these events were open to all Langley employees.

Fiscal Year 1998 Hospitality Fund Expenditures

Check Number	Date	Payee	Amount	Item/Event		Notation
258	10/07/97	NASA Langley Conference Center	\$40.00	State Fair meeting, 9/18/97	*	Coffee and cookies
259	10/07/97	NASA Langley Conference Center	2.50	Colloquium, 9/10/97	**	Coffee
260	10/07/97	NASA Langley Conference Center	47.50	MCLT Program, 8/27/97	**	Punch, cookies, tablecloth
261	10/08/97	Chins	90.00	NC State Fair Patches/sewing	*	All employees were offered a chance to work at the fair
262	10/08/97	Individual	26.18	B-737 ceremony frame	*	
263	10/08/97	NASA Langley Exchange Shop	90.00	NC State Fair Patches	*	
264	11/07/97	NASA Langley Conference Center	50.00	Hispanic Heritage Month program, 10/2/97	**	Punch, cracker canapes
265	11/07/97	NASA Langley Conference Center	55.50	Hispanic Heritage Month, 9/25/97	**	Punch, chips and salsa
266	11/07/97	NASA Langley Conference Center	107.00	CFC Kickoff, 9/30/97	**	Coffee, munchkins, muffins, tablecloths
267		Void				
268	11/07/97	NASA Langley Conference Center	5.00	Bloodmobile, 9/24/97	**	Coffee
269	12/08/97	NASA Langley Conference Center	5.00	Bloodmobile, 11/26/97	**	Coffee
270		Void				
271		Void				
272		Void				
273	12/08/97	Individual	25.00	Volunteer luncheon cake	*	
274	12/08/97	NASA Langley Conference Center	2.50	Colloquium, 11/4/97	**	Coffee
275	12/15/97	NASA Langley Discretionary Fund	300.00	Reimbursement	*	"Transfer funds"
276	01/08/98	Hi-Tech Engraving	24.00	Brass plates for bookends; for individual	*	
		Fee -- balance below minimum	5.00		*	
277	02/02/98	NASA Langley Conference Center	2.50	Colloquium, 1/13/98	**	Coffee
278	02/02/98	NASA Langley Conference Center	2.50	Colloquium, 12/9/97	**	Coffee
279	02/02/98	Individual	348.17	NTF reception and ribbon cutting ceremony	*	Drinks and food; approximately 200 people attended
280	02/26/98	Hi-Tech Engraving	276.00	Pen sets for speakers	*	
281	03/16/98	NASA Langley Conference Center	5.00	Colloquium, 2/3/98 and 3/3/98	**	Coffee
282	03/16/98	NASA Langley Conference Center	5.00	Bloodmobile, 1/28/98	**	Coffee

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Item/Event</u>		<u>Notation</u>
283	03/16/98	NASA Langley Conference Center	45.00	Black History Program, 2/24/98	**	Punch and cookies
284		Void				
285	03/16/98	NASA Langley Conference Center	10.00	TAG COPRS, 2/5/98	*	Second year meeting was held
286	03/26/98	Varner-Matt Signs	279.00	Three 12" NASA emblems onto 15" walnut plaques and boxing and shipping	*	
287	05/26/98	NASA Langley Conference Center	10.00	Colloquiums, 3/25/98, 4/7/98, 5/5/98	**	Coffee
288		Void				
289	05/26/98	NASA Langley Conference Center	167.25	Secretaries' Day, 4/22/98	**	Coffee, juice, donuts, muffins, munchkins, tablecloths
290	05/26/98	NASA Langley Conference Center	222.50	Take Our Daughters to Work Day, 4/23/98	**	Coffee, juice, muffins, munchkins, tablecloths
291	05/26/98	NASA Langley Conference Center	63.00	Women's History Month program, 3/26/98	**	Punch, cheeseball and crackers
292	05/26/98	NASA Langley Conference Center	45.00	Speakers' Bureau ceremony, 3/11/98	**	Punch and cookies
293	05/26/98	Hi-Tech Engraving	12.00	Engraving for plaque for individual		
294		Void				
295	07/31/98	Hi-Tech Engraving	45.00	Engraving for three brass plates	*	Individual
296	07/31/98	Hi-Tech Engraving	84.00	Engraving for plaque for the FAA		
297	08/26/98	NASA Langley Exchange Shop	66.00	Plaques for Cox Communications and HBO		
298	08/26/98	Hi-Tech Engraving	28.00	Brass plates for bookends for individual's retirement (Dryden's Director)		
299		Void				
300		Void				
301	08/26/98	NASA Langley Conference Center	49.50	Womens Equality Day program, 8/6/98	**	Punch, cookies, tablecloth
302	08/26/98	NASA Langley Conference Center	10.00	Bloodmobiles, 5/27/98 and 7/22/98	**	Coffee
303	08/26/98	NASA Langley Conference Center	87.50	SDB Forum, 7/22/98	*	Coffee and sodas
304	08/26/98	NASA Langley Conference Center	27.00	FAA Technical Center Visit, 5/26/98	*	Coffee, sodas, iced tea, cookies, and fruit
305	09/25/98	NASA Langley Exchange Shop	45.00	Six Hats for students/astronaut session	*	
306	08/26/98	NASA Langley Exchange Cafeteria	20.00	Aerospace Advsiory Panel; "normally paid out of director's discretionary fund, but too little money there and indirectly benefits all employees"	*	Coffee
307	09/25/98	NASA Langley Exchange Shop	8.00	Cup for speaker	*	
308	09/25/98	Hi-Tech Engraving	42.00	Three black brass plates for plaques	*	"CFC and 40th"
309	09/25/98	Paramount Florist	79.00	Apprentice graduation	**	

<u>Check Number</u>	<u>Date</u>	<u>Payee</u>	<u>Amount</u>	<u>Item/Event</u>		<u>Notation</u>
310	09/25/98	NASA Exchange Cafeteria	95.90	French visitors VIP meeting	*	Coffee, soft drinks, cookies, donuts
311	09/30/98	John Wills Studio	<u>200.00</u>	Set-up charge for custom design bookends	*	
			<u>\$3,255.00</u>			

*Unable to determine who received/benefited from item/event.

**Assumed these events were open to all Langley employees.

Fiscal Year 1999 Hospitality Fund Expenditures

Check Number	Date	Payee	Amount	Item/Event	Notation
312	10/05/98	Individual	\$ 6.40	40th Anniversay stamps for speaker	Thank-you note sent under Director's signature
313	10/30/98	NASA Langley Conference Center	85.00	Hispanic Heritage Programs, 9/25/98 and 10/8/98	** Punch, salsa and chips, tablecloth
314		Void Below minimum charge	5.00		
315	12/09/98	NASA Langley Conference Center	40.00	Oshkosh Lessons Learned, 8/31/98	* Lemonade and sheetcake
316	12/09/98	NASA Langley Conference Center	10.00	Virginia State Fair Lessons Learned, 10/15/1998	* Lemonade and fruit punch
317	12/09/98	NASA Langley Conference Center	46.00	Breast Cancer Awareness, 10/16/98	** Punch and cookies
318	12/09/98	NASA Langley Conference Center	5.00	Bloodmobile, 9/23/98	** Coffee
319	12/09/98	NASA Langley Conference Center	230.00	C130 ceremony, 11/6/98	** Coffee, lemonade, munchkins
320	12/09/98	NASA Langley Conference Center	26.00	Shuttle launch, 10/29/98	** Coffee, lemonade, cookies
321	12/09/98	NASA Langley Exchange Cafeteria	42.00	Disability Awareness Day, 10/16/98	** Coffee and danish
322	12/09/98	NASA Langley Exchange Cafeteria	34.00	North Carolina State Fair Lessons Learned	* Soft drinks, iced tea, pizza
323	12/09/98	Individual	32.69	Alumni Meeting	* Sandwiches
324	12/09/98	Hi-Tech Engraving	14.00	Brass Plate; individual	
325	12/09/98	NASA Langley Discretionary Fund	200.00	Reimubrsement	
326		Void			
327	01/10/99	NASA Langley Conference Center	111.80	OHR Expo	** Coffee, lemonade, cookies, munchkins
328		Void			
329	01/10/99	NASA Langley Exchange Cafeteria	38.25	C-130 industry lunch, 11/6/98	Nine box lunches with drinks for pilots
		Below minimum charge	10.00	November and December	
		Below minimum charge	5.00	January	
330	03/03/99	Individual	72.99	TGIR awards ceremony	* Crackers; martinique; no detailed receipt for part of purchase

Check Number	Date	Payee	Amount	Item/Event		Notation
331	03/16/99	NASA Langley Conference Center	163.76	757-Aries lab ceremony, 11/23/98	**	Coffee, soft drinks, cookies
332	03/16/99	NASA Langley Conference Center	56.88	NTF award ceremony, 11/20/98	**	Coffee, punch, cookies
333	03/18/99	NASA Langley Exchange Shop	330.00	30 history mugs for speakers	*	
334	03/18/99	NASA Langley Exchange Shop	44.00	22 pens for volunteers	*	
335	03/18/99	NASA Langley Exchange Shop	25.00	Plaque for Director's office for individual		
336	03/18/99	NASA Langley Conference Center	15.00	Copier training, 2/9/99	*	Coffee
337	03/18/99	Hi-Tech Engraving	59.00	One 9 x 12 walnut "db pl blk" brass plaque for speaker of the year	*	
338	04/22/99	NASA Langley Exchange Cafeteria	30.00	Industry luncheon; President of Virginia Tech, 2/2/99	*	
		Below minimum charge	5.00	May		
339	06/20/99	NASA Langley Conference Center	55.28	FWPC program, 3/11/99	**	Coffee, punch, cookies
340	06/20/99	NASA Langley Conference Center	15.00	TGIR award ceremony, 3/12/99	**	Sparkling apple punch
341	06/20/99	NASA Langley Conference Center	15.00	Speaker's bureau ceremony, 4/8/99	**	Punch
342		Void				
343	06/20/99	NASA Langley Conference Center	160.50	Take Your Daughters to Work Day, 4/22/99	**	Coffee, juices, tea, donuts, munchkins
344	06/20/99	NASA Langley Activities Association	35.00	OED May Boy Scouts Function	*	Sodas, cookies, chips; one-time exception to usual policy
345	08/01/99	NASA Langley Conference Center	125.00	VPP ceremony, 6/28/99	**	Punch and cookies
346	08/01/99	John Wills Studio, Inc.	550.00	10 sets of custom bookends	*	
347		Void				
348	08/30/99	NASA Langley Exchange Shop	38.40	Four hats for VIPs	*	
			<u>\$2,736.95</u>			

*Unable to determine who received/benefited from item/event.

**Assumed these events were open to all Langley employees.

***AIAA gave \$150.00 toward this expenditure. The money was deposited into the Langley Hospitality Fund checking account.

Appendix D

**NPD 9050.4F, *Administrator's Fund*,
dated March 2, 2000**



**NASA
POLICY
DIRECTIVE**

**Directive: NPD 9050.4F
Effective Date: March 02, 2000
Expiration Date: March 02, 2005**

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Responsible Office: AI / Associate Deputy Administrator

Subject: Administrator's Fund

1. POLICY

- a. The annual NASA authorization and appropriations acts allow a specified amount of NASA's appropriations to be used for official reception and representation expenses. The aggregate of such funds is identified as the Administrator's Fund.
- b. It is NASA's policy to use the Administrator's Fund primarily to pay the expenses of non-NASA individuals attending official reception and representation activities sponsored by NASA. Under certain circumstances, as outlined in NPG 9050.xx, the Administrator's Fund may be also used for the expenses of NASA employees participating in representational events.
- c. Official reception and representational activities are generally defined as events related to official Agency business and typically characterized by a mixed ceremonial, social, and/or business purpose. Expenses that may be covered by the Administrator's Fund include food, beverages, entertainment, and presentation items.

2. APPLICABILITY

This NPD is applicable to NASA Headquarters and NASA Centers, including Component Facilities.

3. AUTHORITY

42 U.S.C 2473(c)(1), Section 203(c)(1) of the National Aeronautics and Space Act of 1958, as amended.

4. REFERENCES

- a. Annual Departments of Veterans Affairs and Housing and Urban Development, and Independent Agencies Appropriations Act.
- b. NPG 9050.xx

5. RESPONSIBILITY

- a. The Associate Deputy Administrator, or designee, is responsible for approving payment of expenses from the Administrator's Fund.
- b. The Officials-in-Charge of Headquarters Offices and Center Directors are responsible for requesting use of the Administrator's Fund in accordance with the procedures in NPG 9050.xx.
- c. The Associate Administrator for External Relations is responsible for reviewing and concurring in all requests for use of the Administrator's Fund involving foreign nationals.
- d. The Associate Administrator for Legislative Affairs is responsible for reviewing and concurring in all requests for use of the Administrator's Fund involving Congressional representatives or Congressional staff.
- e. The Associate Administrator for Public Affairs is responsible for reviewing and concurring in all requests for use of the Administrator's Fund involving the media and guest operations for launches.
- f. The Associate Administrator for Headquarters Operations is responsible for providing guidance, advice, and resolution of issues between requesting offices and the Assistant Executive Officer for the Office of the Administrator, Office of Headquarters Operations, that cannot be resolved otherwise.
- g. The General Counsel is responsible for reviewing requests for which the legal propriety of using the Administrator's Fund for the requested purpose is in question.
- h. The Headquarters Accounting Division (located at Goddard Space Flight Center) is the official repository for all official accounting and financial records for the Administrator's Fund.

6. DELEGATION OF AUTHORITY

Authority to approve requests for use of the Administrator's Fund is delegated to the Associate Deputy Administrator, with power for further delegation.

7. MEASUREMENTS

None.

8. CANCELLATION

NMI 9050.4E, dated May 19, 1994.

/s/ Daniel S. Goldin
Administrator

Appendix E

NASA Management Response

National Aeronautics and
Space Administration
Langley Research Center
Hampton, VA 23681-0001



DEC 06 2000

Reply to Attn of: 109

TO: NASA Headquarters
Attn: W/Assistant Inspector General for Inspections, Administrative,
Investigations and Assessments

FROM: 103/Associate Director for Business Management

SUBJECT: Langley Research Center Exchange Activities, G-00-001 Draft Report

The above referenced report dated November 9, 2000, reflect the results of your inspection, which began November 17, 1999. Your fieldwork began shortly after our Office of Chief Financial Officer's (OCFO) Internal Review of Langley Exchange Operations was completed and briefed to the Exchange Council (June 1999 and September 1999, respectively). Management delayed implementation of Internal Review corrective action in anticipation of an earlier completion of your inspection, as it was deemed more appropriate and productive (maximize expended effort) to address and implement corrective action when both evaluations were completed. However, it should be noted that on May 8, 2000, a directive was issued to implement corrective action on recommendations from Internal Review as your inspection activities were still in progress.

To address the above referenced report, responses to recommendations for corrective action are provided in the enclosure. Please note that we appreciate your concurrence with recommendations for corrective action as identified in the Langley Internal Review. Some of these are included as above referenced report recommendations, in addition to recommendations, which reflect decisions and actions communicated to your personnel June 14, 2000. Accordingly, recommendations consistent with Internal Review and those reflective of internal decisions and actions have been addressed first in order to provide current status of corrective action implementation.

Please address questions and requests for additional information to Buena E. Crawford at 757-864-8084.

A handwritten signature in cursive script that reads "Lana M. Couch".

Lana M. Couch

Enclosures

cc:

HQ/AI/Dr. Mulville

HQ/B/Mr. Peterson

HQ/BF/Mr. Varholy

HQ/GG/Ms Wajnarowski

HQ/J/Mr. Sutton

HQ/JM/Mr. Robbins

HQ/JR/Mr. Harding

HQ/R/Mr. Venneri

HQ/RS/Ms Humphrey

Report Recommendations Consistent with Langley Internal Review, Decisions and Initiated Actions

Recommendation 1: The Exchange Council, with the assistance of the Langley Chief Financial Officer (CFO), should conduct a thorough analysis of expenses and then develop an operating plan aimed at achieving financial solvency.

Concur - Implementation Ongoing

The Office of the Chief Financial Officer (OCFO) memorandum request dated December 1999 for explanations and plans to alleviate operations reflective of increasing loss trends prompted the Exchange Council to implement price and product line increases to improve revenues. These changes have resulted in reduced losses to date. Additionally, ongoing operations review by independent Certified Public Accounting (CPA) firm will provide report (due January 31, 2001) detailing deficiencies and recommendations for corrective action. Also, full time civil service Exchange Operations Manager duties and responsibilities will include comprehensive analyses of operations to strengthen business and financial soundness. Candidate selection completion anticipated by January 2001. Completion of implementation of corrective action is anticipated by June 30, 2001. **See enclosed Exchange Operations Manager position vacancy announcement, position description, and negotiated agreement for ongoing independent review of Exchange Operations.**

Recommendation 6: The CFO should institute a process for periodically reviewing the Exchange's financial condition.

Concur and Implementation Complete as of April 11, 2000 On April 11, 2000, Associate Director (AD) for Business Management approved OCFO plan for monitoring Exchange operations. A specific element within this plan is the monthly reporting on financial condition and immediate notification of financial or business issues. OCFO has been receiving monthly financial reports since May 2000. Management Control Officer (MCO) provided approved plan to OIG Inspector on June 14, 2000. **See enclosure.**

Recommendation 7: The Center Director should ensure that the recommendations of the internal review are implemented.

Concur - Corrective Action Implementation Directed May 8, 2000, AD for Business Management approved implementation for all corrective actions cited in the Internal Review. It is anticipated that all corrective actions will be completed by June 30, 2001.

Recommendation 21: The Center Director should ensure that a constitution, bylaws, and regulations are promulgated for the Langley Exchange. This guidance should be disseminated to the Council members and should be made available to all members of the Langley community.

Concur - Implementation Initiated AD for Business Management directive to implement corrective actions recommended in the Internal Review requires the establishment of constitution and bylaws along with operating policies and procedures for Exchange operations. These documents will be a part of the published Langley management process for Exchange operations. Anticipated completion by Exchange Operations Manager by June 30, 2001.

ENCLOSURE

Recommendation 22: The Center Director should appoint an Operations Manager to the Council in accordance with NPD 9050.6E.

Concur - Implementation Ongoing D for Business Management directive to implement recommendations for corrective action from Internal Review of Exchange Operations has resulted in the imminent appointment of Exchange Operations Manager. This appointment is in process and expected completion is January 2001. **See Recommendation 1 response.**

Recommendation 23: The Center Director should assure no paid Exchange employee serves on the Council or performs the duties of a Council member.

Concur Center management has been assured by Exchange Council Chairman that no Exchange paid employees serve on Exchange Council or perform duties of a Council member. This policy directive will be reinforced with the hire and appointment of a full-time civil service Exchange Operations Manager.

Recommendation 24: The Council should appoint a civil servant as Oversight Manager for the Gift Shop.

Concur – Implementation Ongoing Operations Manager will have oversight responsibility for all branches. Current Oversight Manager positions will be eliminated with anticipated appointment of Exchange Operations Manager January 2001.

Recommendation 25: The Center Director should implement a structured meeting schedule to enhance the effectiveness of the Council. The requirement of regular meetings and full and complete minutes should be adequately reflected in the constitution, bylaws, and regulations.

Concur – Implementation Initiated Operations Manager position responsibility includes the development of Exchange Council constitution and bylaws and policies and procedures. These will include the requirement for structured Exchange Council monthly meetings. Anticipated policy completion date is June 30, 2001.

Remaining Report Recommendations for Corrective Action

Recommendation 2: The Center Director should ensure that the signatures of two Exchange members are required for all checks.

Concur Langley concurs with the intent of this recommendation which is to have appropriate safe guards of funds in place. Langley Exchange operations are complex and resemble a corporate conglomerate with five distinct and different operations. To our knowledge, no other Center's Exchange operations have this many branch operations. Currently, the branch managers have delegated check-signing responsibility for their branch operations with subsequent review and verification. More than 4,000 checks are signed annually, and the requirement for two Exchange Council members' signatures does not appear feasible. However, we recognize that the intent of this recommendation is to ensure appropriate checks and balances. Accordingly, OCFO has initiated an addendum to the ongoing financial statement audit contract with independent CPA firm to analyze cash management, internal control, inventory management and all other elements required for sound financial and business operations. Results and recommendations from this operations review will enable management to determine how best to ensure funds are appropriately handled, and these recommendations will be implemented.

Recommendation 3: The Center Director should ensure that appropriated funds are used to pay for official Agency expenditures in accordance with underlying policy as provided in NPD 9050.4F and associated NASA Procedures and Guidelines (NPG).

Concur Langley management will conform to all requirements of NPD 9050.4F and supporting NPG for use of the Administrator's Fund.

Recommendation 4: The Center Director should ensure that expenditure files are properly maintained and adequately documented to include identifying persons or organizations benefiting from the expenditures and the recipient of such items as gifts and lunches.

Concur - Implementation Initiated OCFO will support the use of the Administrator's Fund, and will ensure appropriate use and documentation.

Recommendation 5: The Council should ensure that an annual accounting of Exchange activities and expenditures, which includes abbreviated financial statements as well as a listing of funds provided to various Center programs and activities are published and distributed to Langley employees.

Concur OCFO will ensure Exchange "to be developed" operating policies include requirement for an Annual Status Review Presentation to AD for Business Management on all Exchange operations including abbreviated comparative financial statements. Review will include reporting of funds provided to Center programs and activities, and information as appropriate will be made available to all personnel. Overview presentation will be required annually by November 30 following the September 30 end of fiscal year. The first Annual Status Review is anticipated after end of year 2001.

Recommendation 8: The Management Control Officer should review Exchange cash and inventory management.

Concur - Implementation in Progress Contract for independent audit of Exchange financial statements for FY 2000, which is ongoing, has been amended to request operations review which will include a complete review of cash and inventory management. Additionally, OCFO approved plan for monitoring Exchange operations includes the requirement for an annual review of operations by OCFO personnel. The OCFO annual review will commence at the end of FY 2001 since an independent vendor will complete operations review for FY 2000.

Recommendation 9: The Center Director should ensure that the Center, including the Exchange, observes Department of Education regulations in implementing the RSA.

Concur LaRC concurs, and will comply with "Randolph-Sheppard" (20 U.S.C. 107 et seq.) and the implementing regulations (34 C.F.R. 395, "VENDING FACILITY PROGRAM FOR THE BLIND ON FEDERAL AND OTHER PROPERTY").

Recommendation 10: The Center should notify the State Licensing Agency and negotiate an appropriate agreement concerning its obligations under RSA, and accurately report its vending income to NASA Headquarters accordingly.

Concur There exists an affirmative duty to comply with "34 C.F.R 395.32, "Collection and distribution of vending machine income from vending machines on Federal property". The amount of money that LaRC must distribute is the result of the application of one of three income formulas contained in 34 CFR 395.32(b), (c) and (d). The actions required by this regulation are the collection of and accounting for monies, and the disbursement of monies to the state agency on a quarterly basis.

34 C.F.R. 395.33, "Operations of cafeterias by blind vendors" discusses at 34 C.F.R. 395.33(a) and (d) the responsibilities for negotiations and consultations to involve the provision of "food of high quality" within a "reasonable cost", such duties being distinct from 34 C.F.R. 395.32 . LaRC will comply with the appropriate Federal regulations.

Recommendation 11: The LAA President should have the safe combination changed and provide the combination to no more than three individuals in accordance with prudent security practices.

Concur – Implementation Completed The safe combination has been changed and only two people have been given the new numbers. The combination number is also in the possession of the Exchange Treasurer in case authorized personnel are not available.

Recommendation 12: The LAA should ensure controls over the storage of the bingo playing cards and lottery tickets, as well as other inventory storage areas, are tightened.

Concur All Bingo sheets and cards are now kept in a locked cabinet with the LAA Manager and the Bingo manager having the only keys. Exchange operations inventory control of the remaining above referenced items will follow recommendations of independent auditor upon completion of operations review. This review will follow the ongoing independent audit of

financial statements scheduled for December 29, 2000 completion. LAA does not sell state lottery tickets the above referenced tickets are bingo instant cards.

Recommendation 13: The Center Director should ensure that a comprehensive evaluation of physical access controls of the LAA business office is conducted and corrective actions initiated accordingly. The keys to the LAA business office and inventory storage areas should be removed from open access and secured in a limited access location.

Concur Independent evaluation of physical access as related to internal controls along with consultation with Langley Office of Security will support the development of physical access control policy by the Exchange Operations Manager. It is anticipated that this policy will be finalized by June 30, 2001. Immediate action has resulted in keys being no longer stored for open access.

Recommendation 14: The Langley CFO should ensure that an independent assessment of internal controls over LAA business operations is conducted. The assessment should include a study of controls over sales recording practices, physical inventory methods, and cash handling procedures.

Concur- Recommendation is specific to LAA and concurrence to recommendations 8, 11, 12, and 13 cover the elements contained within this recommendation for all Exchange operations. An independent assessment will be done for all branches. Additionally, policies for all of the above will be coordinated by the Exchange Operations Manager.

Recommendation 15: The LAA Branch Manager should ensure scheduled calibration of the cash register at the Afterburners Lounge.

Concur Exchange policies and procedures for branch operations to be developed by June 30, 2001, will include cash register calibrations on a scheduled basis.

Recommendation 16: The LAA Branch Manager should receive formal training in business subjects directly related to overseeing LAA business operations.

Concur The Exchange Operations Manager will assess Exchange Branch managers as to suitability for and performance of business management requirements. Recommendations for training or reassignment will be made at that time. It is anticipated that this assessment will be accomplished by June 30, 2001.

Recommendation 17: The LAA Board, in coordination with Center management and the Exchange Council, should ensure that alcohol is not served at LAA events that involve weapons.

Concur Langley management has ensured that alcohol is not sold to anyone at events involving weapons until weapons activity has ended.

Recommendation 18: The LAA Board should assure that event profit and loss statements are documented and completed in a timely manner.

Concur Policies and procedures for all Exchange business and financial operations scheduled for completion June 30, 2001, have been addressed in numerous recommendations. These policies and procedures will ensure timely and appropriate accounting for all business operations.

Recommendation 19: Center management and the Exchange Council should research other avenues of providing funds, including the proper use of appropriated funds, to accommodate a larger facility, to attract more qualified staff, and to meet accreditation requirements without sustaining financial losses.

Concur Center management is aware of the above referenced observations as related to the Exchange Child Development Center branch, and is currently evaluating alternatives.

Recommendation 20: To further increase revenue, the Exchange Council should actively promote the use of cafeteria catering services to Center management, employees, and other customers.

Concur It is assumed that the intent of this recommendation is to balance revenues and expenses to alleviate losses. However, this is a business decision that is appropriately reserved to the Exchange Council. Additionally, food services and catering reflect end of year revenues of \$12,295 in excess of expenses. It should also be noted that Exchange marketing and pricing strategies are to be evaluated by the Exchange Operations Manager, who will be a qualified business management professional. Accordingly, decisions will result from thorough analysis of all appropriate variables.

X-Sender: m.b.erwin@pop.larc.nasa.gov
X-Mailer: QUALCOMM Windows Eudora Pro Version 3.0.5 (32)
Date: Tue, 07 Nov 2000 10:20:36 -0500
To: type-code=N@larc.nasa.gov
From: Mary Erwin <m.b.erwin@larc.nasa.gov>
Subject: (1) Vacancy Announcement
Date: Tue, 7 Nov 2000 10:20:56 -0500 (EST)

COMPETITIVE PLACEMENT ACTION NO. CPP 01-24SH

POSITION: Exchange Operations Manager, GS-0301-13

LOCATION: Langley Exchange Council

OPENING DATE: November 7, 2000

CLOSING DATE: November 27, 2000

AREA OF CONSIDERATION: Government-wide, including status (transfer and reinstatement) candidates, ICTAP eligibles in the local commuting area and persons eligible for consideration under any Federal special employment programs. Veterans who are preference eligibles or who have been separated from the armed forces under honorable conditions after 3 years or more of continuous active service may apply (Veterans Employment Opportunities Act of 1998).

Serves as Operations Manager, Langley Exchange Council.

The following web site provides additional information pertaining to the duties, qualifications, and application procedures related to these vacancy announcements:
<http://www.usajobs.opm.gov/a9nasai.htm>



**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
LANGLEY RESEARCH CENTER
PLACEMENT PROGRAM
VACANCY ANNOUNCEMENT
Hampton, Virginia**

POSITION: Exchange Operations Manager
GS-301-13

LOCATION: National Aeronautics and Space Administration
Langley Research Center
Hampton, Virginia

AREA OF CONSIDERATION: All Sources

CITIZENSHIP: U.S. citizenship is required

SALARY RANGE: \$55,837 to \$72,586 (\$59,623 to \$77,507 with the locality adjustment)

**DELEGATED EXAMINING
AUTHORITY NO. DEA 00-123SH**

OPENING DATE:
August 23, 2000

CLOSING DATE:
September 6, 2000

The following web site provides additional information about Langley vacancies: <http://www.usajobs.opm.gov/a9nasai.htm>

Selection for this position will be made from eligible candidates without regard to political, religious, or labor organization affiliation or non-affiliation, marital status, race, color, sex, national origin, non-disqualifying physically challenging condition, or age. NASA provides reasonable accommodations to applicants with disabilities. If you need a reasonable accommodation for any part of the application and hiring process, please notify us. The decision on granting reasonable accommodation will be on a case-by-case basis.

Duties: Serves as Operations Manager, Langley Exchange Council. Incumbent serves as Operations Manager (Office of Director appointed member of the Langley Exchange Council) for administration of Exchange business and financial operations. Exchange is Center Director established business operation utilizing non-appropriated funds to support the morale, welfare, and recreational interests of civil service, contractor, and on-site tenant employees as authorized by NASA Policy Directive (NPD) 9050.6E. Operations are reflective of industry business operations as five diverse Exchange branches: Business Office and Vending Operations, Exchange Store, Main and Satellite Cafeteria and Catering, Child Development Center, and Activities Association's sponsored activities. Operations Manager has final management responsibility for day to day operations and provides independent management leadership for strategic planning and implementation, coordination, staffing, scheduling and monitoring business and financial operations. Supervises management of Business Office and Vending Operations to evaluate and define organizational structure, staffing, and other support requirements. Oversees business and financial management of all branch operations. Establishes constitution and bylaws to document Exchange Council processes and procedures, and develops standard business and financial management operating and reporting policies and procedures for all branches. Ensures the development of detail policies and procedures specific to each branch. With support and assistance from Exchange Council and branch managers, validates branch structures, positions, salaries and benefits. Defines annual budget schedule and financial performance reporting requirements. Establishes parameters, formats and schedules for branch operations' phasing plans and variance analysis reports. Responsible for analyzing the financial reports such as Balance Sheet and Income Statement to support this analysis. Analyzes cash requirements and develops cash forecasts to support efficient cash management strategies. Establishes investment strategies based on federal regulations and accounting standards and practices, and ensures third party support of Exchange fiduciary responsibilities (Exchange Employee Thrift Fund). Supervises branch managers and hires employees, within existing policies and guidelines, based on recommendations from branch managers. Ensures critical branch programmatic requirements, where appropriate, receive adequate accommodation in business and financial planning. Coordinates budget, operating plans and internal control review processes with Exchange Treasurer. Presents business and financial status reports to Exchange Council at monthly meetings. Manages Exchange operating budget from appropriated funds dedicated to facilities maintenance. Has financial management oversight for all Exchange contracts and interfaces with Center's Office of Procurement for all purchases including non-appropriated fund purchases to the degree possible to conform to Federal Acquisition Regulations (FAR) and NASA FAR Supplement. Ensures the development of statements of work, solicitations for bid proposals and evaluation of proposals. Processes contracts through appropriate approval channels for final execution and monitors contractor performance. Establishes and maintains effective working relationships with a wide variety of individuals and organizations. These include Office of Chief Financial Officer, which has NPD oversight responsibility for ensuring Exchange's sound business and financial operations, other senior Center management offices, and NASA Headquarters. Maintains close coordination with Legal, Facilities, Health, Safety, and Security offices to ensure adherence to codes, laws, and regulations. Routinely interfaces with external suppliers and vendors, and individual customers/users of products and services. Ensures Center Equal Opportunity and Affirmative Action programs and objectives are considered in all Exchange operations, human resources management actions, and programs.

NASA Langley Form 339 (Jun. 1999)

The following knowledge, skills, and abilities will be used to evaluate the quality of applicant's qualifications for this position. KSAOCs identified with an asterisk (*) will receive double weight in the evaluation process. *In order to receive full credit for your experience and education, you should address each KSAOC individually.* You may use a plain sheet of paper for this purpose. You are encouraged to provide work examples for each factor to demonstrate possession of the knowledge, skills, and abilities.

- *1. Ability to plan, coordinate, staff, schedule, and monitor business operations.
- *2. Knowledge and understanding of automated resources and financial management systems.
3. Ability to manage employee morale, welfare and recreational programs.
4. Knowledge and understanding of Federal Acquisition Regulations (FAR), procurement procedures, and the Federal government budget processes and regulations, and government standards of ethical conduct.
5. Skill in written and oral communication to effectively provide direction to a variety of individuals and organizations regarding business operations programs and policies.
6. Ability to lead, plan, and direct the work of a subordinate staff.

PROMOTION POTENTIAL: Salary will be determined on the basis of experience, knowledge and skills of the selected candidate. This position is classified to the GS-13 grade level.

QUALIFICATION REQUIREMENTS: Applicants must possess one year of specialized experience, which is typically in or related to the position to be filled and has equipped the applicant with the particular knowledge, skills, and abilities to perform successfully the duties of the position. To be creditable, specialized experience must have been at least equivalent to the next lower grade level. For this position, specialized experience is working directly with business and financial programs, including defining the annual budget schedule and financial performance of each operation, (i.e., utilizing non-appropriated funds to support the morale, welfare, and recreational interests of the respective employees, etc). For further information, refer to the Office of Personnel Management's (OPM's) Qualifications Standards Manual for General Schedule Positions, which is available in the Personnel Management Branch, Office of Human Resources.

QUALITY OF EXPERIENCE: At least 1 year of the required experience must have been at a level of difficulty comparable to that of the next lower grade level in the Federal service.

EDUCATIONAL AND EXPERIENCE SUBSTITUTIONS: Refer to OPM's Qualifications Standards Manual for General Schedule positions, which is available on line at: <http://www.opm.gov/qualifications/index.htm>.

FOREIGN EDUCATION: To receive credit for education completed outside the U.S., you must show proof the education has been submitted to a private organization specializing in interpretation of foreign education and such education has been deemed at least equivalent to that gained in conventional U.S. education programs.

HOW TO APPLY: You may apply for this position by using one of the following methods:

- Optional Application for Federal Employment (OF-612)
- Application for Federal Employment (SF-171)
NOTE: The SF-171 is no longer available for dissemination
- Resume

In addition to one of the above application methods, you must submit proof of education, i.e., college transcripts or a copy of your diploma showing academic field of study. *(Failure to submit proof of education may result in an ineligible rating).*

Whatever method you chose to apply, if your application does not provide the information requested on this announcement and in the pamphlet OF-510, Applying for a Federal Job, you will not be contacted for additional information. Your application will be rated solely on the information you provide in response to this vacancy announcement.

If applicable, you must also submit the following additional information:

- **SURPLUS OR DISPLACED FEDERAL EMPLOYEES:** Surplus or displaced Federal employees in the local commuting area applying under the OPM Career Transition Assistance Program (CTAP), must submit a RIF separation notice, Certification of Expected Separation, or other certification which identifies you as being in a surplus organization or occupation. CTAP applicants will be considered well qualified if they meet all KSAOCs at a level above satisfactory or equivalent. Applicants must also submit proof that current (or a last) performance rating of record is at least fully successful or equivalent and their most recent SF-50.

PROOF OF VETERAN'S PREFERENCE: Submit a copy of DD-214 if claiming 5-point veteran's preference, and SF-15, with supporting documentation if claiming 10-point veteran's preference.

SPECIAL NOTE: SUBMIT ONLY THE REQUIRED FORMS. DO NOT ASSEMBLE THEM IN NOTEBOOKS.

To obtain forms and information pertaining to this vacancy announcement and to receive status information after the closing date, please visit our web site at <http://ohr.larc.nasa.gov/job/html>. TDD users can call (757) 864-7609. **IF APPLICATION IS SUBMITTED BY MAIL, IT MUST BE POSTMARKED BY THE CLOSING DATE. IF APPLICATION IS SENT BY FAX OR E-MAIL, IT MUST BE FOLLOWED BY AN ORIGINAL APPLICATION POSTMARKED BY THE CLOSING DATE.** Submit applications by the closing date to:

NASA LANGLEY RESEARCH CENTER
PERSONNEL MANAGEMENT BRANCH
MAIL STOP 174 (ATTN: DEA 00-123SH)
HAMPTON, VA 23681-2199

DUTIES: As Exchange Operations Manager for the Langley Exchange at the Langley Research Center, the incumbent independently provides business leadership and operation management of the Exchange activities as called for in NPD 9050.6E. The Exchange is a non-appropriated fund activity of the Center with its own support staff and income sources, dedicated to serving the welfare, recreational, and morale interests of the civil service, contractor, and on-site tenant employees. Specific duties include:

- Operations Manager for administration of Langley Exchange operations, to include final management oversight of the day-to-day operational activities of the Exchange Business Office, Langley Exchange Store, the Main and Satellite Cafeteria and Catering, Vending Operations, Child Development Center, Activities Association, support of Center-sponsored activities, and other ongoing Exchange programs and recreational activities.
- Development of constitution and bylaws that are in compliance with the NPD, and business management plans and policies for the operational units of the Exchange, recommending and gaining approval from the Exchange oversight body (Exchange Council), and implementing plans.
- Final management oversight of all Exchange contracts which include: interfacing with Center's Office of Procurement to conform to FAR and NASA FAR Supplement to the degree possible; developing statements of work; soliciting bid proposals; assisting in the evaluation of proposals; processing contracts through appropriate approval channels for final execution; and monitoring contractor performance.
- As Contracting Officer/Technical Monitor for the Exchange contracts, including Randolph Shepard Act services, develops contractor performance evaluation plans; monitors contractors' performance; provides required reports on Exchange contracts to NASA Headquarters; serves as the interface between contractors, Exchange Council, Center management, and employees.
- Hiring employees, within existing policies and guidelines, for the operation of all branch organizations with support and recommendations from branch managers. Defining positions; structuring and operating wage, salary, and benefit programs; and maintaining oversight of personnel payroll records. Enter into contractual agreements for temporary services for Exchange activities.
- Establishing and maintaining effective working relationships with a wide variety of individuals and organizations including senior Center management, Center's Office of Chief Financial Officer, Exchange Council, and Center support elements, such as facilities, legal, and procurement; external suppliers and vendors; and individual customers/users of services.
- Final management oversight of all financial accounting and record keeping and payroll functions for Exchange activities and operations; responsible for analyzing the financial performance of the Exchange including budget planning and tracking, cash flow analysis, assets, and banking and investment strategies; coordinates budget and internal control review processes with Exchange Treasurer.

- Supports external audit activities as requested by the Office of the Chief Financial Officer
- Provides status reports (including financial performance) to Council Chair and the Exchange Council on Exchange operations and activities at monthly Council meetings.
- Final management of the tracking and reviewing of procurement and disposal of all property assets of the Exchange, such as, facilities, equipment, inventories, and associated office equipment.
- Maintains close coordination with Health, Safety, and Security Offices to maintain and ensure adherence to health, safety, and security codes. Participates in fire and sanitation inspections of the Exchange facilities on a scheduled basis. Has Center facility safety representative responsibility for the Langley Cafeteria, building 1213.
- Final management of operating budget from appropriated funds dedicated to facility maintenance under Exchange management.
- Ensures Center Equal Opportunity and Affirmative Action programs and objectives are considered in all human resources management actions and programs for which the incumbent is responsible.

KNOWLEDGE REQUIRED BY THE POSITION

- Broad, in-depth knowledge and understanding of business management practices, resources and financial management, principles of organizational management, including the Langley and NASA, and the ability to develop new programs and modify current operations of substantial programs.
- Broad, in-depth knowledge and understanding of Government non-appropriated funded programs and their operation within NASA and the Federal Government.
- Must possess knowledge of Federal Acquisition Regulations, NASA procurement procedures, Standards of Ethical Conduct, and other Federal Government regulations; as well as have knowledge of automated financial systems; and possess understanding and background in the area of human resources management.
- Broad knowledge of the programs, organization functions, and structure of Langley Research Center, NASA, and the Federal Government.
- Ability to effectively analyze, explain, and present management and administrative plans and operating status. Also able to implement complex business management and administrative procedures in a systematic and comprehensive manner.
- Skill in working with employees and management officials on complex problems and questions.
- Ability to communicate effectively, both orally and in writing.

- Ability to work with, and understand, business oriented computers and software applications; and must be able to effectively automate certain job functions.

SUPERVISORY CONTROLS: The Exchange Council defines the overall objective and priorities of the work, and the incumbent is responsible for independently organizing, planning and executing the projects/programs assigned. Completed work will be considered technically authoritative and normally accepted without significant change. The Associate Director for Business Management becomes operationally involved only in those extremely rare circumstances when problems arise which cannot be resolved at the incumbent's level or Exchange Council level.

GUIDELINES: Guidelines include Federal management and policy directives, NASA and Langley Research Center administrative and operational policies, procedural issuance's, various public laws pertaining to non-appropriated fund operations, contract clauses, and accepted business, accounting, and administrative management policies. Exercises judgment in determining the accuracy of the available information, determines the source of any discrepancies and manages the implementation of corrective action. Occasionally, is required to develop new procedures and guidelines for obtaining, maintaining, and reporting essential management data, forecasting trends for future year plans based on current budgetary criteria and anticipated changes.

COMPLEXITY: This position is complex in its requirement for knowledge and skills in a variety of unrelated areas involving a broad spectrum of programs, projects, policies, and business and organizational management primarily involving non-appropriated funds. Exchange Operations are unique within the Center, and the incumbent is expected to exercise considerable independence and judgment in the execution of this function.

In the area of procurement and contracting, develops creative approaches to resolve contractual issues (i.e., maximize options and minimize costs). Conducts special one-of-a-kind reports that require the incumbent to conduct formal analysis of programs and develops approaches to encounter manpower and resource shortfalls. Makes critical recommendations for trade-offs within the operational activities of Exchange programs and recreational activities.

Is required to exercise outstanding judgment in performing activities and setting priorities. Decisions/recommendations are based on knowledge of functional objectives of the Exchange activities. Is required to stay abreast of the latest policy requirements, working in conjunction with the Office of Procurement in the role of Contracting Officer/Technical Monitor.

SCOPE AND EFFECT: Has prime responsibility for the totality of the business activities of the Langley Exchange. As such, develops innovative methods to implement business systems and disseminates information about Langley Exchange programs and activities Center-wide. The analytical work, advice, and assistance provided, facilitates the programs, goals, objectives, and objectives of the Exchange. Works to eliminate any functional overlaps among the activities and operations to meet annual and long-range requirements. The work involves managing and developing programs and projects that affect the resource utilization, work processes, and methods of the Exchange Operations. The programs and projects have a direct effect on

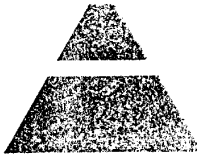
employee morale and the Center's image to external organizations. The incumbent's efforts directly impact the success of a high-exposure Agency program.

PERSONAL CONTACTS: Contacts are with LaRC's senior staff, including a wide variety of supervisors and employees. In addition, has contact with officials of other NASA Centers, other government agencies, private industry, clients, contractors, vendors, and a larger segment of the general public in a moderately unstructured setting.

PURPOSE OF CONTACTS: Contacts are for the purpose of providing services, presenting briefings, collecting information, providing guidance and assistance to Center personnel, ensuring that applicable rules and regulations are followed, and resolving problems. Specifically has an essential role working contractual concerns with the Office of Procurement. Legal and financial officers to assure proper compliance with NASA and Federal policy. Handles sensitive and significant areas of the program which requires dealing with issues such as organizational conflict, competing objectives or resource problems.

PHYSICAL REQUIREMENTS: Work is normally sedentary; however, employee is required to perform some walking, standing, stooping, and carrying of light items, within the scope of a typical office setting.

WORK ENVIRONMENT: Work is performed in an office environment. Incumbent is periodically required to visit the Cafeteria, Exchange Store, Child Development Center, and other assigned facilities, and is occasionally required to travel by air or automobile when performing official business.



Malvin, Riggins & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS, CONSULTANTS & BUSINESS ADVISORS
MEMBERS AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS & VIRGINIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

October 26, 2000

NASA Langley Research Center
Office of Procurement
Mail Stop 126
Hampton, VA 23681-2199

We are pleased to confirm our understanding of the services we are to provide for NASA Langley Exchange operations in conjunction with audit engagement for the year ended September 30, 2000.

We will perform the following requirements for an internal control study and operations analysis to be conducted for the NASA Langley Exchange. The objectives of our study and analysis are to promote ethical conduct, encourage adherence to management policies, safeguard assets, and foster reliable financial reporting. Our study and analysis will be conducted in accordance with generally accepted auditing standards and will entail sampling and testing the control procedures currently in place over all significant balance sheet and income statement accounts, as well as additional interviewing of management and staff who have authority over the financial process.

In order for an internal control study and operations analysis to be effective, we must maintain accurate information relating to the following requirements. We plan to review all internal control procedures and management policies currently implemented and in place. Also, we will evaluate the automated financial accounting process in relation to efficiency, consistency, and accuracy. These evaluation results will then be related to the branch interface. We must review employee job descriptions for those employees with management functions and financial responsibility. Involving the Exchange Council, we will interview and observe the responsibilities of management and staff responsible for the financial affairs. In order to ensure that cash, inventory management, physical security, and control of all assets receive special attention, substantive testing must be performed in all significant areas of the balance sheet and income statement accounts. By evaluating and reporting the findings in the respective areas evaluated and tested, we will be able to provide a detailed opinion as to what changes may need to be made. Also, we will provide management recommendations to enhance the internal control process for the organization as a whole, to include appropriate segregation of duties, compliance with internal control policies, safeguarding of the Council's assets, and appropriate training regarding Council policies and procedures to ensure responsible and reliable financial reporting. Lastly, a period of performance will be concurrent with the OCFO contracted audit of the Exchange operations financial statements.

In order to fully benefit from our study and analysis, we will deliver a comprehensive report of review/evaluation results and recommendations for corrective action. This report will be completed and obtainable no later than January 31, 2001.

We understand that you are responsible for making all financial records and related information available to us and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you.

FREDERICK B. MALVIN, CPA • JOYCE RIGGINS SCHAFFER, CPA, CFP • CAROLYN J. LUCKADOO, CPA • JOHN T. CALDWELL, CPA
733 Thimble Shoals Boulevard • Suite 170 • Tower Park of Oyster Point • Newport News, VA 23606
Telephone (757) 881-9600 • Facsimile (757) 881-9617 • www.MalvinRiggins.com

That responsibility includes the establishment and maintenance of adequate records and related internal control over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. Management is also responsible for identifying and ensuring that the organization complies with applicable laws and regulations.

At your request, we have considered the amount of additional time required to perform a complete internal control study (or operations audit) for the activities of the NASA Langley Exchange Council and Activities unit in conjunction with audit fieldwork. Our proposed fee would be \$2,250. This estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the evaluation.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us, and this letter will continue in effect until canceled by either party.

Very truly yours,

Malvin, Riggins + Company, P.C.
Malvin, Riggins & Company, P.C.

Response: This letter correctly sets forth the understanding of the terms of our engagement.

Signature

Date

*Original signed
by Ken Duncan,
Office of Procurement*

**Center's Chief Financial Officer's (CFO's) Responsibilities
Per NPD 9050.6E, NASA Exchange Activities**

Responsibilities include the following:

1. Ensure Exchange Council adherence to NPD 9050.6E
2. Ensure business and financial soundness of Exchange operations

Responsibilities will be accomplished by taking the following actions:

1. OCFO annual compliance review for Exchange adherence to NPD
2. Approval of selection of Exchange Council Treasurer
3. Contract Independent Certified Public Accounting firm to perform annual audit of Exchange financial statements

Actions noted above will be accomplished in the following manner:

1. OCFO personnel will evaluate Exchange Council organizational structure and formal policies and procedures for operations in compliance with NPD
2. Prescribe Exchange Council Treasurer's duties as follows:
 - (a) Is responsible for the appropriate handling of all funds, bank accounts, and Government securities. If functions are delegated to bonded Exchange paid employees, Exchange Treasurer must develop plan for monitoring activities.
 - (b) Ensures that all accounting and financial books and records are maintained in accordance with generally accepted accounting standards, principles and practices.
 - (c) Responsible for development of Funds Management Policy to ensure that all funds are appropriately recorded and safeguarded against fraud, waste, abuse, and mismanagement.
 - (d) Coordinates with Office of Chief Counsel to ensure maintenance of liability and property insurance to adequately cover Exchange property and operations.
 - (e) Forwards copies of financial statements to OCFO and monitors on a monthly basis, all financial statements and reports, and briefs CFO on a quarterly basis as to the financial condition of Exchange operations. All issues and concerns should reported to the OCFO as soon as determined.
 - (f) Responsible for review and approval of any changes to the accounting and financial system in coordination with Exchange Council and OCFO.
 - (g) Responsible for coordination and access to records in support of annual audit of Exchange operations by Certified Public Accountant after engagement by OCFO.
3. OCFO, as initiating organization and customer for audit, will request annual audit of Exchange financial statements by Independent CPA firm. Will work with Office of Procurement to complete contract process.

Current Status:

1. Upon approval by AD for Business Management of CFO Action Plan as stated above, meeting will be scheduled with Exchange for implementation.
2. CFO contracted for FY 1999 annual independent audit. Audit draft reports and OIG notification advised CFO of losses in excess of depreciation and subsidies from Exchange operations. Exchange must provide explanations.

Appendix F

Summary of Report Recommendations

SUMMARY OF REPORT RECOMMENDATIONS

Recommendation 1: The Exchange Council, with the assistance of the Langley Chief Financial Officer, should conduct a thorough analysis of expenses and then develop an operating plan aimed at achieving financial solvency.

Recommendation 2: The Center Director should ensure that the signatures of two Exchange members are required for all checks.

Recommendation 3: The Center Director should ensure that appropriated funds are used to pay for official Agency expenditures in accordance with underlying policy as provided in NPD 9050.4F and associated NSA Procedures and Guidelines (NPG).

Recommendation 4: The Center Director should ensure that expenditure files are properly maintained and adequately documented to include identifying persons or organizations benefiting from the expenditures and the recipient of such items as gifts and lunches.

Recommendation 5: The Council should ensure that an annual accounting of Exchange activities and expenditures which includes abbreviated financial statements as well as a listing of funds provided to various Center programs and activities is published and distributed to Langley employees.

Recommendation 6: The CFO should institute a process for periodically reviewing the Exchange's financial condition.

Recommendation 7: The Center Director should ensure that the recommendations of the internal review are implemented.

Recommendation 8: The Management Control Officer should review Exchange cash and inventory management.

Recommendation 9: The Center Director should ensure that the Center, including the Exchange, observes Department of Education regulations in implementing the RSA.

Recommendation 10: The Center should notify the State Licensing Agency and negotiate an appropriate agreement concerning its obligations under RSA and accurately report its vending income to NASA Headquarters accordingly.

Recommendation 11: The LAA President should have the safe combination changed and provide the combination to no more than three individuals in accordance with prudent security practices.

Recommendation 12: The LAA should ensure controls over the storage of the bingo playing cards and lottery tickets, as well as other inventory storage areas, are tightened.

Recommendation 13: The Center Director should ensure that a comprehensive evaluation of physical access controls of the LAA business office is conducted and corrective actions initiated accordingly. The keys to the LAA business office and inventory storage areas should be removed from open access and secured in a limited access location.

Recommendation 14: The Langley Chief Financial Officer should ensure that an independent assessment of internal controls over LAA business operations is conducted. The assessment should include a study of controls over sales recording practices, physical inventory methods, and cash handling procedures.

Recommendation 15: The LAA Branch Manager should ensure scheduled calibration of the cash register at the Afterburners Lounge.

Recommendation 16: The LAA Branch Manager should receive formal training in business subjects directly related to overseeing LAA business operations.

Recommendation 17: The LAA Board, in coordination with Center management and the Exchange Council, should ensure that alcohol is not served at LAA events that involve weapons.

Recommendation 18: The LAA Board should ensure that event profit and loss statements are documented and completed in a timely manner.

Recommendation 19: Center management and the Exchange Council should research other avenues of providing funds, including the proper use of appropriated funds, to accommodate a larger facility, to attract more qualified staff, and to meet accreditation requirements without sustaining financial losses.

Recommendation 20: To further increase revenue, the Exchange Council should actively promote the use of cafeteria catering services to Center management, employees, and other customers.

Recommendation 21: The Center Director should ensure that a constitution, bylaws, and regulations are promulgated for the Langley Exchange. This guidance should be disseminated to the Council members and should be made available to all members of the Langley community.

Recommendation 22: The Center Director should appoint an Operations Manager to the Council in accordance with NPD 9050.6E.

Recommendation 23: The Center Director should assure no paid Exchange employee serves on the Council or performs the duties of a Council member.

Recommendation 24: The Council should appoint a civil servant as Oversight Manager for the Gift Shop.

Recommendation 25: The Center Director should implement a structured meeting schedule to enhance the effectiveness of the Council. The requirement of regular meetings and full and complete minutes should be adequately reflected in the constitution, bylaws, and regulations.

Appendix G

Report Distribution

Distribution

National Aeronautics and Space Administration (NASA) Officials:

A/Administrator
AA/Chief of Staff and White House Liaison
AI/Associate Deputy Administrator
B/Chief Financial Officer
B/Comptroller
G/General Counsel
H/Associate Administrator for Procurement
J/Associate Administrator for Management Systems
JM/Management Assessment Division
L/Associate Administrator for Legislative Affairs
P/Associate Administrator for Public Affairs
R/Associate Administrator for Aero-Space Technology
NASA Exchange Council Chairpersons

NASA Advisory Official:

Chairman, NASA Advisory Committee

Non-NASA Federal Organizations and Individuals:

Assistant to the President for Science and Technology Policy
Deputy Associate Director, Energy and Science Division, Office of Management and Budget
Budget Examiner, Energy Science Division, Office of Management and Budget
Associate Director, National Security and International Affairs Division, General
Accounting Office
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Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on VA-HUD-Independent Agencies
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Report: Langley Research Center Exchange Activities, G-00-001

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1. The report was clear and readable	5	4	3	2	1	N/A
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