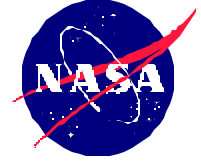


National Aeronautics and
Space Administration

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



Reply to Attn of: W

September 29, 2000

TO: C/Associate Administrator for Headquarters Operations

Glenn Research Center
Attn: 0100/Director

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

SUBJECT: Glenn Research Center Exchange Activities, G-99-016

The Office of Inspector General (OIG) is reviewing NASA Exchange (Exchange) activities. The purpose of our reviews 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. Recommendation 3 requests action by the Associate Administrator for Headquarters Operations. All other recommendations apply to the Glenn Research Center (Glenn).

I. BACKGROUND

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

The Exchange is subject to oversight by Glenn management. The Center Director is responsible for the general management of the Exchange. The Exchange Council (Council), whose members are appointed by the Center Director, is responsible for overseeing Exchange financial and operational

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 Glenn funds are derived primarily from the sale of goods and services to Center personnel and visitors.

activities. The Council is comprised of a Chair, an Exchange Treasurer (Treasurer), an Exchange Operations Manager (Operations Manager), and representatives from various Center organizations. Currently, the Exchange operates two cafeterias, vending machines, a retail store, and a visitor's center gift shop.

The Operations Manager, a civil servant employee in the Glenn Office of the Chief Financial Officer (CFO), is primarily responsible for oversight of the Exchange. Specific assignments include overseeing the Exchange stores, cafeterias, and vending operations; working closely with the Council members to manage Exchange operations; and evaluating performance and compensation levels of the Exchange Business Manager (Business Manager). In addition, the Operations Manager is Glenn's focal point for ensuring compliance with the Randolph- Sheppard Act (RSA) requirements governing certain preferences granted to organizations supporting sight-impaired individuals.

The Business Manager, an employee of the Exchange, is primarily responsible for managing the Exchange operations and overseeing the day-to-day operations of the various business activities (e.g., the cafeteria, the store, and the gift shop). Employees of the Exchange report to the Business Manager, who reports to the Operations Manager.

Prior to 1995, the Exchange used the profits from its sales receipts and activities to fund a variety of Centerwide activities designed to promote the welfare and morale of Center employees. However, Center downsizing has resulted in decreased receipts, activities, and profits for the Exchange. Consequently, the Exchange does not have the same level of profit from which to fund activities.

II. EXCHANGE EXPENDITURES

A. Reviews, Approvals, and Use of Funds

The Council, as a collective body, is not reviewing requests for support or approving Exchange expenditures. Prior to 1995, the Council reviewed requests for support and approved Exchange expenditures that supported Centerwide activities. However, in September 1995, a task force reviewed operations and recommended that the Exchange only support the Director's Discretionary Fund (DDF).³ In addition, in the February 1996 Annual Report, the Center Director informed the Office of Management Systems (Code J), NASA Headquarters, that Exchange expenditures were being limited to those specifically approved out of the DDF. The Center Director gave complete

³ The DDF has been in existence for many years. Specific historical documentation describing the function and authority of the DDF is not available. However, according to Center staff familiar with the DDF, the fund was originally administered by the Center Director's Office. Approximately 8-10 years ago, the fund's administration was moved to the Deputy Center Director's Office.

authority over the Exchange's DDF fund to the Council Chair.⁴ Generally, the Council Chair decides which activities the Exchange will support, without input from the other Council members.⁵

During our review, some Council members expressed their views that the Exchange funds are not being used for activities that support the majority of Glenn employees. Some Center staff members also have expressed concern that a low percentage of Glenn employees were benefiting from Exchange funds. Although an Internet site lists various clubs at Glenn,⁶ according to our review of expenditures, the Exchange is not providing financial support to these clubs or other recreational associations. Other NASA Exchange Councils actively review and approve the expenditure of Exchange funds as a standard procedure.

These processes can serve both as internal controls and as methods to expand input on Exchange expenditures and activities.

Instead, the Exchange has expended its limited funds on other activities more properly supported by appropriated funds. For example, when employees attend training seminars and professional meetings that are job-related, their program organizations and not the Exchange should approve and pay for such training.⁷ In addition, when employees from NASA Headquarters and other Centers visit Glenn, the Exchange should not provide meals to these individuals. This official expense should be paid for out of the travelers' authorized per diem.⁸

Finally, official reception and representation expenses are more properly paid for from the Congressionally appropriated Administrator's Fund rather than from the Exchange.⁹ The Center Director may request monies from this fund for these type expenditures or use other appropriated funds consistent with recently revised General Services Administration (GSA) regulations governing the purchase of refreshments at Government-sponsored conferences.¹⁰ The use of appropriated

⁴ Memorandum dated March 29, 1996, to the Internal Control Exchange Manager from the Director of External Programs (See Appendix B).

⁵ Appendix C shows Exchange expenditures for the last 3 years.

⁶ <http://www.grc.nasa.gov/Doc/clubactv.htm>

⁷ Related activities may include support of the local Cleveland Federal Executive Board and Symposium Fees for the Cleveland Development Foundation. See Appendix C for other examples of meetings and other activities funded by the Exchange.

⁸ See Appendix C.

⁹ NASA Management Issuance 9050.4F, *Administrator's Fund*, establishes policy and procedures governing the use of the funds provided by annual NASA Authorization and Appropriations Acts. The Administrator's Fund may be used for expenses incurred for official reception and representation (See Appendix D).

¹⁰ Under previous GSA rules, agencies were not allowed to provide light refreshments for employees at Government expense. Employees had to buy such refreshments themselves. Under the new regulation, Government agencies can provide light refreshments at Government expense.

funds for such authorized activities would permit the application of Exchange proceeds to reducing the Glenn Exchange operating deficit and/or to funding employee recreational and welfare activities.

Recommendation 1: The Council should review and approve Exchange expenditures.

Recommendation 2: The Center Director should ensure that appropriated funds are used to pay for official Agency expenditures such as employees' attendance at training or seminars.

Recommendation 3: The Associate Administrator for Headquarters Operations should 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.

B. Supporting Documentation

Some expenditures were not supported by adequate documentation. For example, the Exchange Chair personally acquired umbrellas, pens, and hats from the Exchange store. Additionally, the Exchange paid for lunches or dinners for several civic celebrations, scholarship dinners, and award ceremonies.¹¹ The supporting invoices do not show who received the merchandise or who attended the lunches or dinners. Although the Exchange Chair could recall the disposition of some items, there was inadequate documentation in the file to provide proper accounting of the expenditures. Without proper documentation, 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 information identifying persons or organizations benefiting from the expenditures and the recipient of such items as gifts and dinner tickets.

C. Check Signing Controls

The Treasurer unilaterally changed signature authority for checks, eliminating the requirement of the signatures of two Exchange members for checks in an amount less than \$5,000. However, the bank that dispenses Exchange funds is not required to screen for a second signature if the amount is over the threshold. Additionally, the Treasurer did not obtain the Center Director's approval prior to this change and Code J, NASA Headquarters, was not notified of the change as required by NASA guidance.¹² This lack of internal controls may leave the system vulnerable to misappropriations of Exchange funds.

¹¹ These activities may be justified and in keeping with the purpose of NASA Exchanges, but should be documented accordingly.

¹² Section 5 of NPD 9050.6E, requires that Exchange Councils 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 the significant changes prior to their implementation."

Recommendation 5: The Center Director should ensure that the signatures of two Exchange members are required for all checks.

III. RANDOLPH-SHEPPARD ACT

Under the Randolph-Sheppard Act (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 § 395.30, that 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.¹³ 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.¹⁴

The Center Director is responsible for ensuring that the Exchange observes Department of Education regulations in implementing the RSA. Federal facilities under the RSA scheme either provide preference to the blind in operating vending facilities located on Federal property and buildings or collect a percentage of vending machine income for employment and education programs for the blind. Under the RSA, vending machine income sharing provisions do not apply to income from vending machines within retail sales outlets under the control of military Exchange or ships' stores systems, income from vending machines operated by the Veterans Canteen Service, or income from vending machines not competing with a blind vending facility at individual locations, installations, or facilities and not exceeding \$3,000 annually.¹⁵

¹³ See Title 20 USC § 107b-3.

¹⁴ See Title 20 USC § 107d-1.

¹⁵ See Title 20 USC § 107-3(d).

The Exchange contracts its food and drink vending operation to an outside contractor separate from its cafeteria operation. The vending contractor pays the Exchange a \$55,000 annual commission. Under the RSA and implementing regulations, 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) which is determined according to several factors. We believe that Glenn should pay 50 percent of vending machine income meeting the \$3,000 threshold to the State Licensing Agency under the terms of the RSA.¹⁶

The Glenn Chief Counsel has advised the Operations Manager that a regulatory exemption historically asserted by the Center and apparently tacitly accepted by Ohio's State Licensing Agency (SLA) since the mid-seventies would be the Center's position in negotiations with the SLA should the SLA initiate such negotiations. This claim of exemption is based on a specific regulation providing that 34 CFR Part 395 (which governs vending facilities for the blind on Federal property) does not apply to NASA facilities at which all accommodations, facilities, or services areas are operated by a single responsible concessioner. This exemption was initially published in the Federal Register on March 23, 1977, and is codified in the Code of Federal Regulations.¹⁷ The Center believes its position in this matter is supported by the fact that, since its inception, the Glenn Exchange has acted as the single entity responsible for "all accommodations, facilities, or services" at the Center. This includes, "accommodations, facilities, and services of a scope or of a character not generally available in vending facilities operated by blind vendors" — e.g., selling NASA memorabilia, catering special events in the NASA Visitor Center, hosting Center "open house" events. Although the Exchange accomplishes a number of these functions through subcontracts with suppliers, caterers, and other service providers, the Center still considers the Exchange to be the sole "concessioner" to accomplish these types of functions.

We disagree with this opinion because we do not find that the assertion of an exemption for the Exchange meets the "single responsible concessioner" criteria under RSA regulation. The Center has not requested an exemption from the Secretary of Education. According to the Department of Education, single responsible concessionaire does not apply to vending income sharing. By

¹⁶ Title 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.

¹⁷ See 34 CFR § 395.30(c): "Priority in the operation of vending facilities in areas administered by the National Park Service or the National Aeronautics and Space Administration shall be given to blind vendors. Priority in the awarding of contracts for the operation of concessions in such areas when such concessions provide accommodations, facilities, and services of a scope or of a character not generally available in vending facilities operated by blind vendors shall be given in accordance with the provisions of the Concession Policy Act (Pub. L. 98-249, 16 USC 1) or the National Aeronautics and Space Act of 1958, as amended (Pub. L. 85-568, 42 USC 2473). The provisions of this part shall not apply when all accommodations, facilities, or services in such areas are operated by a single responsible concessioner."

regulation, a "single responsible concessioner" operates *all* accommodations, facilities, or services.¹⁸ The contractor that operates Glenn's vending machines does not operate the cafeteria. The regulation on which Glenn relies governs the location and operation of blind vending facilities. A different regulation covers vending machine income sharing.¹⁹

Recommendation 6: The Center Director should ensure that the Center observes Department of Education regulations in implementing the RSA.

Recommendation 7: The Center should notify the State Licensing Agency and negotiate an appropriate agreement concerning its obligations under RSA.

IV. 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 Glenn Center Director, however, has not established a formal constitution or bylaws for the Exchange. Although several Council members believed the Exchange has a constitution or bylaws, they could not provide this documentation. According to the Operations Manager, NPD 9050.6E and Lewis Management Instruction (LMI) 9050.2C²⁰ were deemed sufficient as a formal constitution or bylaws. The LMI was effective March 2, 1995, and was subsequently cancelled on March 19, 1999.

Recommendation 8: The Center Director should ensure that a constitution, bylaws, and regulations are promulgated for the Glenn Exchange. This guidance should be disseminated to the Council members and made available to all members of the Glenn community.

V. IMPLEMENTATION OF PRIOR AUDIT RECOMMENDATIONS

A recent Certified Public Accounting firm recommendation that the Exchange Bookkeeper (Bookkeeper) reconcile the bank statements to the general ledger has not been implemented.²¹ The Bookkeeper does not know how to perform this function and has not received training. The lack of

¹⁸ See 34 CFR 395.30(c).

¹⁹ See 34 CFR 395.32.

²⁰ A previous LMI, 9050.2C, *NASA Lewis Exchange*, prescribed the guidelines and responsibilities governing the management and funding of the NASA Lewis Exchange. (Glenn was formerly known as the Lewis Research Center; therefore, Center regulations were given Lewis designators.)

²¹ Gomersall & Associates, Inc. audited the Exchange's financial statements for years ending September 30, 1996, and September 30, 1997.

control leaves the bank account and general ledger at risk for manipulation and is a weakness in the Exchange's financial management internal control system.

The OIG previously recommended that the Exchange publish and distribute an annual accounting of Exchange activities and expenditures to include abbreviated financial statements as well as a listing of funds provided to various Center programs and activities (Audit Report LE-94-001, dated December 17, 1993, See Appendix E). Glenn management concurred with the report's three recommendations. During our review, we determined that management did not publish a financial statement and summary list of expenditures from 1993 to the time of our review.

Recommendation 9: The Bookkeeper should receive training in how to reconcile the bank statement to the general ledger. The CFO should ensure that the reconciliation is completed on a timely basis.

Recommendation 10: The Center Director should ensure that there is full compliance with agreed upon recommendations from Audit Report LE-94-001.

VI. EXCHANGE COUNCIL MEETINGS AND MINUTES

NPD 9050.6E, paragraph 5.c, states that minutes of Council meetings shall be kept on file. The Council neither meets regularly nor maintains adequate minutes from its meetings. Some time between March 25, 1996, and April 25, 1997, the Council suspended its regularly scheduled meetings. Meeting minutes of April 25, 1997, indicated the Council Chair understood that the Council agreed to suspend regularly scheduled meetings unless specific issues arose that required a meeting. According to the minutes, incidental decisions were delegated to the Chair and the Operations Manager with an understanding that the Council would be polled by electronic mail on matters for which Council input seemed appropriate. Funds continued to be disbursed from proceeds held in reserve. Some Council members believe regularly scheduled meetings are unnecessary and that electronic mail communication is adequate. Other members voiced concern that the lack of regular meetings keeps members and employees uninformed and allowed funds to be spent on unapproved activities (See Section A).

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

Recommendation 11: 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. 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.²² This oversight may place NASA in a position of liability without benefit of insurance.

Recommendation 12: The Exchange should contact the responsible insurance company and request an addendum to add the United States as an additional insured.

VIII. SUMMARY AND EVALUATION OF NASA MANAGEMENT RESPONSE

We received NASA management's response to the draft report on September 15, 2000 (See Appendix F). NASA management concurred with all 12 of our recommendations and provided planned actions, action officials, and an overall completion date of December 29, 2000. We consider these 12 recommendations resolved pending verification of corrective action.

IX. CONCLUSION

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

[original signed by]

David M. Cushing

7 Enclosures:

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

Appendix B: Memorandum from the Director of External Programs, subject: *Director's Discretionary Fund*, dated March 29, 1996

Appendix C: Listing of Discretionary Fund Expenditures for Fiscal Years 1997 - 1999

Appendix D: NPD 9050.4F, *Administrator's Fund*

Appendix E: OIG Audit Report LE-94-001, *LeRC Exchange*, dated December 17, 1993

Appendix F: NASA Management Response

Appendix G: Report Distribution

²² The Exchange has a commercial package policy through Dawson Insurance, Inc., with Westfield Insurance Company. On the common policy declaration page, the "NASA Lewis Exchange" is listed as the named insured. This page also shows that the business type is a "not for profit entity" with a named insured as "undefined."

MAJOR CONTRIBUTORS TO THIS REPORT

Elizabeth Hahn, Management Analyst

Deborah Jacobsen, Management Analyst

Patricia Stone, Director, Administrative Investigations (team leader)

Connia Webb, Auditor

Pamela Withrow, Management Analyst

The report contains appendixes, which are not posted at this web site. To make a Freedom of Information Act request, e-mail to foiaoig@hq.nasa.gov or write to:

NASA Headquarters
Office of Inspector General
ATTN: FOIA Officer
Washington, DC 20546

Appendix A

NPD 9050.6E, NASA Exchange Activities

[NASA Policy Directive NPD 9050.6E](#)

NASA Exchange Activities

December 2, 1997

Appendix B

**Memorandum from the Director of External Programs
March 29, 1996**

MAR 29 1996

9000

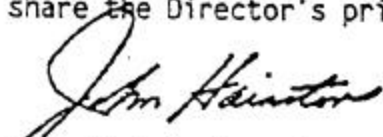
TO: 0200/Internal Control Exchange Manager
FROM: 9000/Director of External Programs
SUBJECT: Director's Discretionary Fund

Center Director, Donald Campbell, has assigned me the role of monitoring and making expenditure decisions for the Director's Discretionary Fund.

I am immediately initiating the following process that I feel will reduce the workload and provide Mr. Campbell with a system of accountability:

- o I will determine the Director's yearly priorities.
- o My Office will serve as the focal point for generating paper work needed for all activities.
- o Final approval will be with my signature (see enclosed).

This is a new role for 9000 and I know that we can make it work. I will share the Director's priorities after the meeting with Mr. Campbell.



John M. Hairston, Jr.

Enclosure

cc:
0100/D. J. Campbell
0224/J. J. Kan
EXCH/M. J. Betlejewski
EXCH/G. J. Wargo
9000/Official File

9000/JMHairston:bap:3/29/96

Appendix C

Listing of Discretionary Fund Expenditures for For Fiscal Years 1997-1999

GLENN RESEARCH CENTER - EXCHANGE OPERATIONS INSPECTION
FY 97 DISCRETIONARY FUND EXPENDITURES

ITEM	CAFETERIA	EXCHANGE STORE	FUNDS EXPENSE	NOTES		PAYEE / ORGANIZATION / NOTATION
				(1)	(2)	
1			2000.00	*	10	Tri C Foundation-Scholarship Luncheon
2			9.20			Alert Program-Momento Plate-
3			62.50	*	1	Enterprise Develop-1996 Weatherhead Dinner
4			256.68		16	Dinner Canadian Space Agency
5			286.40			Food for African Heritage Advisory Council
6			500.00	*	6	Table for 6 Global Issues Resource Center
7			-83.34			Reimbursement-Global Issues Resource Center
8	82.00					Alert Program-Snacks & Drinks
9		150.00		*		50 NASA Vector Pens
10		172.16		*		Mugs, Glasses, Hats -High Speed Research
11			975.10	*		Univ Club. Minority Breakfast (3)
12	96.00				16	Lunch for Canadian Space Agency Visitors
13	323.10				718	Thanksgiving Dinner for Exchange Appreciation
14	77.00				14	Japanese Visitors Lunch
15	144.00					Coffee for 10-16 and 18, 1996
16			150.00	*	200	Valley Embroidery-Holiday Cards
17			25.60			Postage for the director
18	120.00					Snacks for NASA Float Participants
19	108.50			*	14	Lunch at Administrative Building
20			400.00	*	10	MLK Scholarship Dinner
21			200.00			MLK Scholarship-Ad in Booklet
22			-1026.79			Refund
23			662.40		45	Appreciation Breakfast-RPT Team
24			320.00		40	Appreciation Breakfast-TU-144 Team
25	66.50				20	Lunch for
26	31.00				4	Lunch for Canadian Visitors
27		56.90		*		Pens & Mugs for Visit
28			500.00	*	10	Dinner at Greater Cleveland Growth
29	146.00					Refreshments-Alert Program for Shannon Lucid
30	214.00				60	Snacks for Black History Month
31			50.00	*	2	United Way-Annual Luncheon
32			25.00	*	1	United Way-Annual Luncheon
33			510.00	*	6	Enterprise Development-Award Dinner
34			9.00			
35	65.00					Snacks-Women's Advisory Group
36			500.00	*	10	Breakfast at Cleveland Development Foundation
37	363.25					Snacks-EEO Civil Rights Forum
38	45.00				15	Lunch for Junior Achievement
39	76.00					Launch Party
40	407.00					Breakfast for STS83 Experiment
41			300.00			Snacks & Refreshments for Asian Heritage Day
42	53.00					Coffee & Pastries for DLT Retreat
43	496.98			*	96	Lunch for Visit
44			500.00	*	5	NAACP Cleveland Dinner
45			132.00		20	Congressional Staffers Lunch
46			500.00	*	10	Dinner
47		22.50				NASA Engraved Pen-Ohio Aerospace Council
48		120.00				6 t-shirts and hats-
49	60.64					Snacks-Congressional Staff Visit
50	188.60					Snacks-Dialogue Group/Dynamics
51			200.00			City Club of Cleveland-Membership Dues (4)
52	91.00					Snacks for
53	190.00				38	Hot Breakfast for ACTS
54	88.80					Snacks-US Savings Bond Kickoff
55	1400.00				400	Snacks-Yearly Honor Award
56			1000.00	*	10	United Negro College Fund Dinner (5)
57			2000.00			CFC KickOff-Proposed Budget (6)
58		58.50			3	Bond Drive-Speakers Gifts-Note Holders /Hats
59		22.50				Engraved Pen-
60	174.00					Snacks-Guggenheim Awards
61			246.27			Refreshments for DC-9 Researchers
62			350.00	*	10	Glenville Development Corp.Ceremony (7)
63			500.00		75	Oshkosh Thank You Program
64	516.00				24	Lunch-Silver Snoopy Awards
65		82.50			15	NASA Vector Hats-
Total	\$5,623.37	\$685.06	\$12,060.02			

GLENN RESEARCH CENTER - EXCHANGE OPERATIONS INSPECTION
FY 98 DISCRETIONARY FUND EXPENDITURES

ITEM	CAFETERIA	EXCHANGE	FUNDS	NOTES		PAYEE / ORGANIZATION / NOTATION
				STORE	EXPENSE	
66	294.50					50 Thank You for Center - Snacks
67	55.70			*		Small Dining Room
68	169.00					Meatball Logo Ceremony Snacks
69	114.00					DAAG Program Disability Awareness-Snacks & Drinks
70			1000.00	*	10	Tri C Foundation-Scholarship Luncheon
71			3000.00			Christmas Party
72	84.00					Coffee EO Board Meeting
73	66.50					Snacks & Drinks-South Africian Visitors
74	105.40					Snacks Astonaut Class Party
75	136.00					Snacks -Code Q Vistors
76	332.55				739	Thanksgiving -Exchange Appreciation Dinner
77			48.00			Postage Stamps for Center Director
78	297.10					Coffee/Cookies/Punch-CTC Ribbon Cutting
79	194.50					Coffee/Cake/Punch-Meatball Dedication
80			35.00			Cake-Meatball Dedication
81	55.00				20	Hamburgers and Drinks-Junior Achievement
82			400.00	*	10	MLK Scholarship Dinner
83	43.50					Snacks & Drinks Promotion Panel
84			200.00			MLK - Full Page Add In Booklet
85			-1505.46			CFC Campaign Refund
86			475.00		9	Enterprise Development Innocation Award Dinner
87	33.00			*	6	Congressional Staff Visit Lunch
88	122.30					Snacks & Drinks-Black History Month
89	44.00					Deli Trays-Tri C MOD Team
90	62.50					Women in History-Women's Advisory Snacks
91	192.00					HBCU Research Conference Snacks
92	49.50					Burgers and Fries for Junior Achievement
93			500.00	*	10	Scholarship Luncheon - Esperanza, Inc.
94			500.00	*	10	Unity Day Breakfast Cleveland Development Foundation
95			500.00	*	5	Awards Banquet- Cleveland Technical Societies
96			90.00		2	Council of Small Enterprises (COSE)
97	44.00				18	Lunches for College Students
98			60.00		4	Symposium Fee-Cleveland Development Foundation
99	65.45					Deli Trays-Canadian Space Visit
100		484.50				NASA Pens & Astronaut Ice Cream-Int. Space Univ.
101			300.00			Asian Observance-Snacks
102		149.25				NASA Hats-Congressional Visitors
103			35.00	*	1	Annual Luncheon-United Way
104	157.50					Snacks & Drinks
105			288.02			Snacks & Drinks
106		280.00		*	8	Eversharp Pens
107	210.85					SMA Directors Meeting-Snacks & Drinks
108	128.00					Executive Management Council Snacks
109	160.00				11	Snacks & Drinks
110	60.50			*	7	South African VistorsLunch in Small Dining Room
111	123.00			*	20	Lunch in Small Dining Room
112	125.00				200	Continental Breakfasts
113	583.00			*		Box Lunches and Drinks
114	67.90			*	60	Snacks & Drinks
115	79.50			*		Drinks
116	104.78			*		Snacks & Drinks
117	23.00			*		Snacks & Drinks
118	163.75			*		Deli Trays-OAI Library
119			125.00	*	10	Special Program City Club of Cleveland
120			2000.00			Kickoff Celebration-CFC
121			104.75			Reduced Gravity K-1135 Experiment Snacks
122			1500.00	*	10	Ohio Boys Town Recognition Program (2)
123			-47.71			Refund
124			3000.00			Christmas Party
125	1085.00					TGIR Volunteer - Ice Cream
126	294.50				50	Thank you Picnic-Snacks
127	33.00					Visit-Snacks & Drinks
128	206.25					Visit-Lunch
129	605.00				110	Breakfast
130	15.00					Coffee for Fellow Visit
131		79.00		*	20	Badge Straps
132	68.75					Snacks
133		27.75		*		Wooden Pen/wood box
Total	\$6,854.78	\$1,020.50	\$12,607.60			

GLENN RESEARCH CENTER – EXCHANGE OPERATIONS INSPECTION
FY 99 DISCRETIONARY FUND EXPENDITURES

ITEM	CAFETERIA	EXCHANGE STORE	FUNDS EXPENSE	NOTES		PAYEE / ORGANIZATION / NOTATION
				(1)	(2)	
134			200.00			RefreshmentsGreat Lakes Science
135			300.00			Visit -- Harpist
136			1640.43			Glenn Launch VIP Reception
137		210.50		*	10	Hats & Pens
138	17.34					Lunch with Kids
139	68.80					NPG Rollout DSMT- Snacks
140		47.90			2	Umbrellas
141			160.00		45	National Native American Heritage Snacks
142			750.00	*	4	Womens Community Foundation- Luncheon
143	165.00			*	20	NPG7120.5A Rollout - Lunch
144	1086.00					STS95 Shuttle Launch - Snacks
145	1050.00				300	Open House - Party
146	102.10					Executive Board Refreshments
147			525.00		7	The City Club-Sen Glenn Lunch
148			75.00		1	Urban League Lunch
149			48.00			Postage Stamps
150			10.00			Cleveland Federal Executive Board-Registration Fee
151			10.00			Cleveland Federal Executive Board-Registration Fee
152			10.00			Cleveland Federal Executive Board-Registration Fee
153			10.00			Cleveland Federal Executive Board-Registration Fee
154	100.00			*		Snacks
155	403.00			*		Snacks
156	70.90			*		Snacks
157			270.00		3	Black Professional Assoc Dinner
158	70.00			*		Snacks & Drinks
159			500.00	*	8	Cleveland Area Nat'l Engineers Dinner
160			90.00		1	Black Professional Assoc Dinner
161			500.00	*	10	Greater Cleveland- Dinner
162	230.00					Black Women's Advisory Group - Snacks
163			-1329.59			Refund CFC
164			105.00		3	United Way - Luncheon
165			500.00	*	10	MLK Scholarship - Dinner
166	53.25					NCTMT Subcommittee - Snacks
167	243.25					Congressional Staffers - Snacks
168		168.00		*	7	Hats
169			300.00			Lunch - Harpist
170	15.00					Ukranian Visitors - Coffee
171	123.90					Stanford University Visitors - Snacks
172	345.00					Town Meeting - Snacks
173	129.35				13	New Urban - Luncheon
174	78.70					Womens History Day Snacks
175			500.00	*	10	Cleveland Development-Unity Day Dinner
TOTAL	\$4,351.59	\$426.40	\$5,173.84			

- (1) The invoice does not indicate who received merchandise or attended dinners.
(2) The invoice indicates this number of people benefiting from the purchases.

Appendix D

NPD 9050.4F, Administrator's Fund

NASA Policy Directive NPD 9050.4F

Administrator's Fund

March 2, 2000

Appendix E

OIG Audit Report, LE-94-001

LE-94-001

**AUDIT
REPORT**

LeRC EXCHANGE

LEWIS RESEARCH CENTER

December 17, 1993



National Aeronautics and
Space Administration

OFFICE OF INSPECTOR GENERAL

National Aeronautics and
Space Administration



Office of Inspector General
Lewis Research Center
Cleveland, Ohio 44135

Reply to Attn of:

0160

December 17, 1993

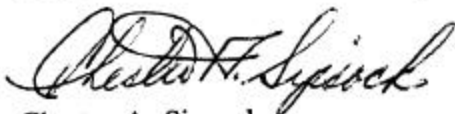
TO: 0100/Director, LeRC
FROM: 0160/OIG Center Director, LeRC
SUBJECT: Final Report on Audit of LeRC Exchange
Assignment No. A-LE-92-008
Report No. LE-94-001

The NASA Office of Inspector General (OIG) has completed its audit of the LeRC Exchange. The audit objectives were to assess the adequacy of policies, procedures, and practices; effectiveness of internal controls for the financial management cycles; and extent to which morale and welfare goals were being achieved.

The audit disclosed that 1) limited information was provided on Exchange operations; 2) the vending concession contract has not been competed since 1986; and 3) competing the liability insurance reduces cost.

LeRC has concurred with all three recommendations made by the OIG and has taken or proposed actions that are responsive. Consequently, we are not requesting to be in the concurrence cycle for any of the recommendations.

Please call me at 3-5412 for any additional information.


Chester A. Sipsock

Enclosure

cc:
W/K. Corcoran
0100/J. Saggio

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION	5
OBJECTIVES, SCOPE, AND METHODOLOGY	7
OBSERVATIONS AND RECOMMENDATIONS	9
LIMITED INFORMATION PROVIDED ON EXCHANGE OPERATIONS	9
VENDING CONCESSION CONTRACT NOT COMPETED SINCE 1986	15
COMPETITION FOR LIABILITY INSURANCE REDUCES COST	17
APPENDIX A - PROPOSED NASA EXCHANGE EXPENSE AND FUNDING DOCUMENT	19
APPENDIX B - LEWIS RESEARCH CENTER MANAGEMENT RESPONSES	21

AUDIT OF LeRC EXCHANGE

LEWIS RESEARCH CENTER

CLEVELAND, OHIO

EXECUTIVE SUMMARY

INTRODUCTION

The National Aeronautics and Space Administration (NASA) Office of Inspector General (OIG) has completed an audit of the Lewis Research Center (LeRC) Exchange. The audit was conducted under the authority and responsibility contained in NASA Management Instructions 1103.27 and 9910.1, as revised.

The Exchange, a non-appropriated fund activity, was established to promote and operate activities that contribute to the efficiency, welfare, and morale of Center employees. The Exchange operates three cafeterias, an employee store, a visitor center gift shop, and vending machines. From these operations, the Exchange funds morale and welfare activities which cannot be funded from appropriated funds. Examples of funding support include the LeRC Awareness Program, the External Affairs Program, Equal Employment Opportunity advisory groups, the Director's Discretionary Fund, and the general support of Center activities and qualified employee clubs. In 1991, a reserve was established to provide financial support for the future development of a recreational facility.

OBJECTIVES

The purpose of the audit was to evaluate the effectiveness of Exchange operations and management. The specific audit objectives were to assess the 1) adequacy of policies, procedures, and practices; 2) effectiveness of internal controls for the financial management cycles; and 3) extent to which morale and welfare goals were being achieved.

RESULTS OF AUDIT

Overall, the activities of the Exchange are carried out in an efficient manner. The operation of the cafeterias, employee store, visitor center gift shop, and vending machines successfully support the Exchange's goal of improving the morale and welfare of LeRC personnel. In addition, the Exchange's policies and procedures generally adhere to the requirements of the NASA and Lewis Management Instructions and provide adequate internal controls. However, the OIG has identified some areas of weakness that need to be improved to ensure regulatory compliance and increase the efficiency and effectiveness of the operations. Our concerns are discussed in detail in the "Observations and Recommendations" section of this report and summarized below.

Limited Information Provided On Exchange Operations. LeRC personnel have not received information regarding the expenditures and activities of the Exchange. A 1992 survey of LeRC employees indicated that they want to be informed of Exchange activities. Although the Exchange usually publishes an abbreviated version of the financial statements, a detailed listing of expenditures is not provided. The Exchange Operations Manager feels that publishing every expenditure would result in different interpretations and lead to unnecessary debate. As a result of minimal disclosure, LeRC personnel do not fully understand and appreciate the activities and expenditures of the Exchange. (Page 9)

Vending Concession Contract Has Not Been Competed Since 1986. The Exchange's vending machine contract has not been competed since 1986. The Exchange Council has been pleased with the contract because it provides Lewis with vending machine services at no cost and annual commissions of at least \$32,000. In addition, the contractor has the ability to supply both Pepsi and Coca-Cola products. Although the contract terms appear to be favorable, more lucrative opportunities may exist. (Page 15)

Competition For Liability Insurance Reduces Cost. The Exchange had not competed its liability insurance coverage since the mid 1980s. After discussions with the OIG, the Exchange Operations Manager agreed to compete it during the 1993 renewal period. As a result of competition, the Exchange saved approximately \$6,000 and may save additional amounts in future years. (Page 17)

RECOMMENDATIONS

We recommended that the Exchange:

1. Publish and distribute an annual accounting of Exchange activities and expenditures. Included in this publication should be abbreviated financial statements as well as a listing of funds provided to various Center programs and activities.
2. Complete the vending concessions contract, at least every three years, to ensure that the best available benefits are being provided.
3. Continue to compete the liability insurance coverage, at least every three years, in order to obtain the lowest cost.

INTRODUCTION

The National Aeronautics and Space Administration (NASA) Office of Inspector General (OIG) has completed an audit of the Lewis Research Center (LeRC) Exchange. The audit was conducted under the authority and responsibility contained in NASA Management Instructions (NMI) 1103.27 and 9910.1, as revised.

The NASA LeRC Exchange, a non-appropriated fund activity, was established to promote and operate activities that contribute to the efficiency, welfare, and morale of Center employees as stated in NMI 9050.6C. Such activities may be set up as clubs or recreation associations under control of the Exchange. Activities not provided for in the NMI may be authorized by the Center Director, with concurrence of the NASA Comptroller, when such activities are clearly in the interest of NASA or NASA employees.

The Exchange also operates three cafeterias, an employee store, a visitor center gift shop, and vending machines. From these operations, the Exchange funds morale and welfare activities which cannot be funded from appropriated funds. Examples of funding support include the LeRC Awareness Program, the External Affairs Program, Equal Employment Opportunity advisory groups, the Director's Discretionary Fund, and the general support of Center activities and qualified employee clubs. In 1991, a reserve was established to provide financial support for the future development of a recreational facility.

The Exchange's gross receipts for fiscal year (FY) 1992 totalled approximately \$1.8 million. An operating fund of approximately \$300,000 is maintained to meet current expenses and normal business contingencies. The fund consists of a \$150,000 cash reserve plus the current value of the Exchange's inventory. As of September 1992, the Exchange had accumulated over \$500,000 in a reserve earmarked for a future recreational facility.

The organizational components of the Exchange include the Center Director; the Exchange Operations Manager, Chairperson, and Treasurer; and NASA Lewis Exchange Council members. The Center Director is responsible for the general management of the Exchange. The Exchange Operations

Manager, selected from the Council, is responsible for directing the daily activities of the Exchange. The Exchange Council, which includes the Chairperson and Treasurer, is appointed by the Center Director to oversee management of financial and operating activities. In addition, the Council reviews all requests for support and authorizes the expenditure of Exchange funds for employee morale and welfare activities.

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OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The purpose of the audit was to evaluate the effectiveness of the Exchange's operations and management. The specific audit objectives were to assess the:

- 1) adequacy of policies, procedures, and practices;
- 2) effectiveness of internal controls for the financial management cycles; and
- 3) extent to which morale and welfare goals were being achieved.

SCOPE AND METHODOLOGY

To determine the adequacy of policies, procedures, and practices, we reviewed applicable Federal, NASA, and Lewis regulations and guidelines. We analyzed budgets, plans, and other Exchange reports, records, and transactions as deemed necessary. In addition, we interviewed representatives of NASA Headquarters and the Exchange Council, and other key staff members reporting to the Exchange Operations Manager.

We reviewed the financial cycles applicable to the Exchange to determine if the internal controls met the general and specific internal control standards set forth by the General Accounting Office. To accomplish this, we interviewed key Exchange staff members and conducted walk-throughs of the financial cycles when applicable. In addition, we evaluated policies and procedures to determine if internal controls were in place and providing the intended benefits.

To determine whether Exchange goals were being met, we reviewed the plans and budgets of the Exchange as well as the expenditures made from October 1989 through December 1992. In addition, we evaluated a 1992 survey funded by the Exchange in order to assess whether the fund was being used to benefit the majority of LeRC personnel.

**INTERNAL
CONTROLS
REVIEWED**

We reviewed the significant internal controls related to:

- Exchange procurements;
- Cash disbursements and receipts;
- Asset/liability management;
- Exchange plans and budgets;
- Payroll/personnel management; and
- Physical controls of assets.

**AUDIT FIELD
WORK**

The audit field work was initially conducted May 1992 through December 1992. However, the audit was suspended in favor of higher priority work having immediate ramifications for NASA's budget. Work was continued in September 1993 at which time data obtained earlier was updated and further synthesized.

The audit was conducted in accordance with generally accepted Government auditing standards, and included such examinations and tests of records and documentation as were considered necessary.

OBSERVATIONS AND RECOMMENDATIONS

OVERALL EVALUATION

Overall, the activities of the Exchange are carried out in an efficient manner. The operation of the cafeterias, employee store, visitor center gift shop, and vending machines successfully support the Exchange's goal of improving the morale and welfare of LeRC personnel. In addition, the Exchange's policies and procedures generally adhere to the requirements of the NASA and Lewis Management Instructions and provide adequate internal controls. However, our review found the following areas in which improvements will ensure regulatory compliance and increase the efficiency and effectiveness of operations:

- Disclosure of Exchange Activities and Expenditures
- Acquisition of Vending Concession Service
- Acquisition of Liability Insurance

LIMITED INFORMATION PROVIDED ON EXCHANGE OPERATIONS

LeRC personnel have not received information regarding the expenditures and activities of the Exchange. A 1992 survey of LeRC employees showed that they want to be informed of Exchange activities. Although the Exchange usually publishes an abbreviated version of the financial statements, a detailed listing of expenditures is not provided. The Exchange Operations Manager feels that publishing every expenditure would result in different interpretations and lead to unnecessary debate. As a result of minimal disclosure, LeRC personnel do not fully understand and appreciate the activities and expenditures of the Exchange.

NMI 9050.6C requires the submission of an annual report to NASA Headquarters outlining the Exchange Council's activities for the preceding fiscal year and plans for the succeeding fiscal year. In addition to fulfilling the requirements of the NMI, Lewis Management Instruction (LMI) 9050.2B requires that the Exchange Council prepare an annual financial report. However, the NMI and the LMI are silent regarding the type and extent of information that should be disclosed, and do not provide for Center-wide distribution to the employees.

The last two reports issued to Center personnel were in FY 1990 and June 1993. Both reports contained only consolidated amounts of income, assets, and liabilities. The Exchange did not disclose how the funds spent by the employees at the cafeterias, stores, and vending machines were being used to benefit their morale and welfare.

The lack of disclosure about Exchange activities has frequently caused some misunderstandings as evidenced by respondents' comments to a survey initiated by the LeRC Executive Council and funded by the Exchange. The survey, conducted in 1992 by Decision Research Corporation (DRC) of Cleveland, Ohio, had three basic objectives:

- *determine the attitude of LeRC employees with regards to the continued funding of nine employee activities;*
- *examine the attitudes of LeRC employees toward the use of Exchange funds for 13 projects; and*
- *assess the attitudes of LeRC employees toward the cafeterias, employee store, and vending machines operated by the Exchange.*

To meet these objectives, a questionnaire was developed by DRC and reviewed by the Exchange Council. Of over 5,000 questionnaires distributed to LeRC personnel in February 1992, 2,519 were completed and returned.

In the survey, LeRC personnel were asked for views concerning the Exchange's current funding of nine different Center activities. The survey results indicated the most support was for those activities benefiting a large number of LeRC employees. The activities strongly supported were:

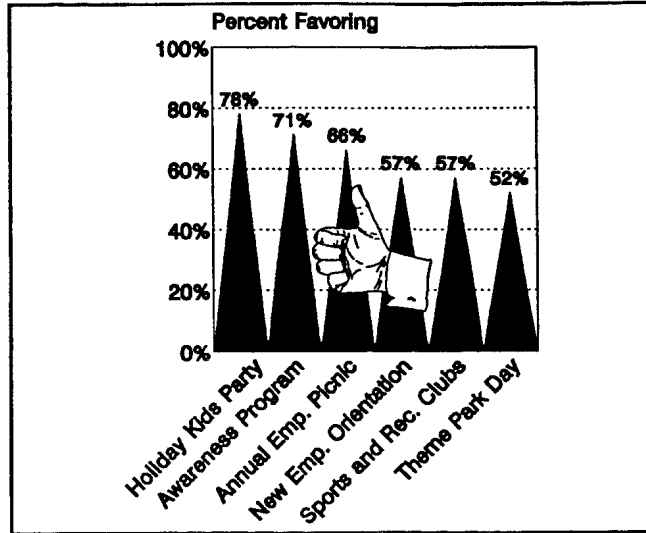


Figure 1: Activities Favored

The remaining three activities were supported by less than one-third of the respondents. These activities are shown below:

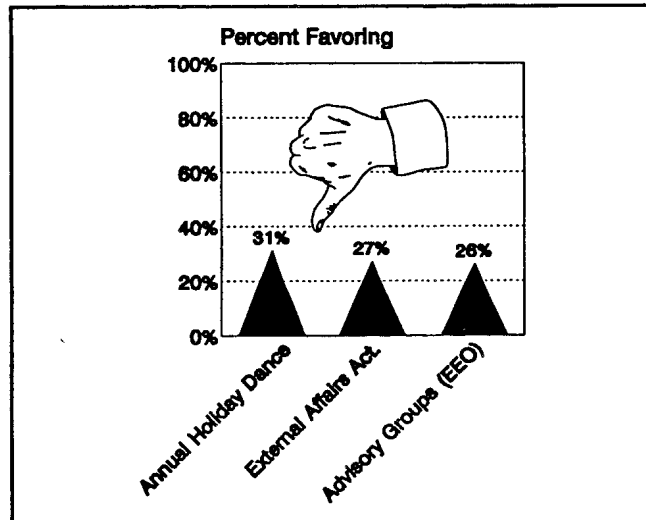


Figure 2: Activities Not Favored

Total funding for the nine activities mentioned above was approximately \$75,000 in calendar year 1992. Of this amount, approximately \$36,500 (48 percent) went to support activities not widely supported by LeRC personnel. The largest of these was External Affairs.

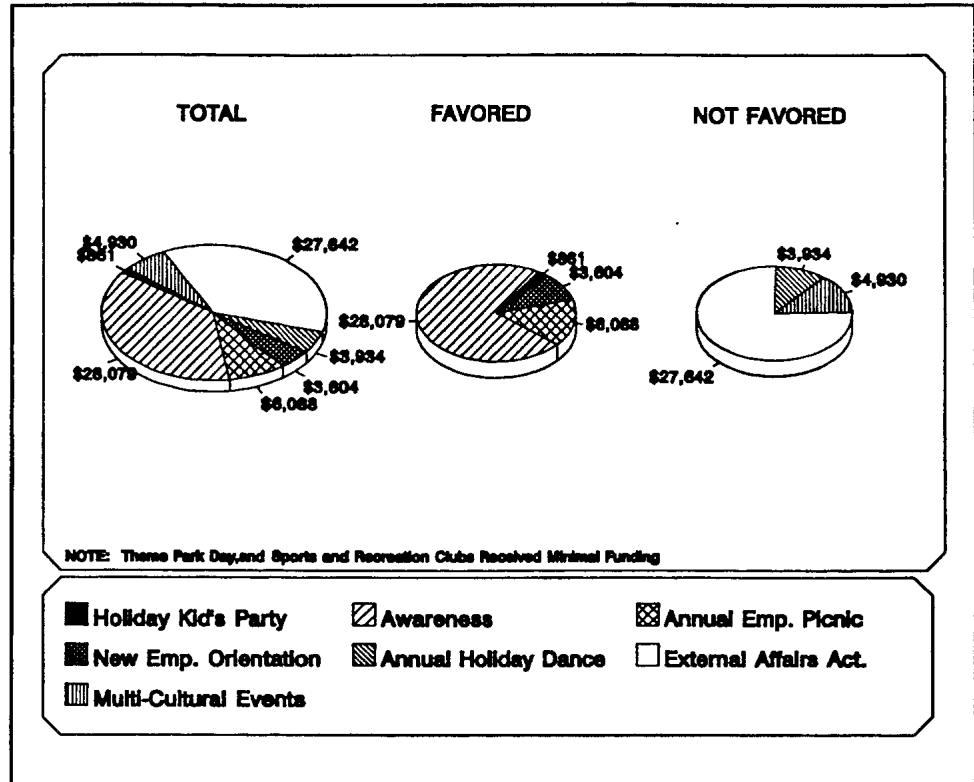


Figure 3: Funding Levels

In order for the Exchange to fulfill its goal of promoting the morale and welfare of Center personnel, Exchange funds should be spent on activities supported by a majority. If the Exchange Council believes these expenditures to be worthwhile, additional information should be provided to LeRC employees in order to enhance their understanding for such activities.

Written comments were provided by 826 of the 2,519 respondents. Our analysis of these comments indicates that the lack of support for certain activities may be due to LeRC personnel 1) not fully understanding the activities, 2) not believing funds were being used for the benefit of a large number of people, or 3) not agreeing with the amount of funding provided to the particular activity. The OIG believes that disseminating information on the goals and objectives of these activities may be the key to LeRC personnel understanding and accepting the use of their fund to support these activities.

The majority of the comments were related to the cafeteria/exchange store, fitness/sports, day care, and the use of

funds for the greatest number of people. The most prevalent concerns raised involved:

- The financial status of the Exchange. For example, of the 364 written comments related to the cafeteria, approximately 44 percent of the respondents believed that cafeteria prices should be reduced since the Exchange appeared to be extremely profitable by carrying a reserve of \$500,000.
- The distinction between the Exchange functions and those of the Fitness Center Health Care Program and some of the on-site Credit Union's functions.
- The use of Exchange funds to benefit a relatively low percentage of LeRC personnel. Respondents believed that the fund should be used for activities that would benefit the most employees. The most common sentiment was that many of the programs currently funded by the Exchange should be funded with Lewis monies or even be self-supporting.

Because the Exchange receives a large amount of funding requests from different interest groups, it is not feasible to fund every event or activity. Consequently, the Exchange Council must use its judgement in deciding which activities to fund. The Operations Manager agrees that employees have a right to be kept informed about what is happening to their money and about activities involving employee morale and welfare. In fact, the Exchange records are available to anyone desiring to see them. However, the Operations Manager believes that publishing information on every expenditure would result in different interpretations and lead to unnecessary debate.

In order to alleviate some of the misunderstandings, the OIG believes the Exchange Council should provide complete information to Center personnel by reporting Exchange expenditures, activities, and financial status on a regular basis. This type of information is already being prepared by the Exchange Treasury for internal use and submittal to the NASA Comptroller. Appendix A provides an example of the document containing Exchange expenditures which could be distributed to LeRC personnel along with abbreviated financial statements. Such action would set the stage for open communication of

Exchange activities to all interested LeRC personnel. In addition, this information will enhance LeRC personnels' understanding and appreciation of the Exchange activities and strengthen the overall accountability of those administering Exchange funds.

RECOMMENDATION 1

The Exchange should publish and distribute an annual accounting of its activities and expenditures. Included in this publication should be abbreviated financial statements as well as a listing of funds provided to various Center programs and activities.

Management Response

Concur. The Exchange will publish both a financial statement and summary list of expenditures.

***Evaluation of
Management's
Response***

The action planned by the LeRC Exchange is responsive to the recommendation.

**VENDING
CONCESSION
CONTRACT
NOT COMPETED
SINCE 1986**

The Exchange's vending machine contract has not been competed since 1986. The Exchange Council has been pleased with the contract because it provides Lewis with vending machine services at no cost and substantial annual commissions. In addition, the contractor has the ability to supply a variety of products to LeRC employees. Although the contract terms appear favorable, more lucrative opportunities may exist.

NMI 9050.6C states that concession contracts shall be competed and negotiated by the Exchange in accordance with Federal Acquisition Regulations (FAR). FAR Subpart 6.101 states that contracting officers shall promote and provide for full and open competition in soliciting offers and awarding Government contracts.

We found that the present vending machine contract had not been competed since 1986 and is automatically renewed annually unless the Exchange or the contractor, HALO Food Service Inc., choose otherwise. The LeRC Exchange Council is pleased with the service provided by the present vendor and chose not to compete the contract. The contractor supplies LeRC with vending machines, supplies, and maintenance at no cost. More importantly, the contractor provides the Exchange with an annual commission of at least \$32,000 from vending machine sales. These factors, along with the ability of the contractor to provide both Pepsi and Coca-Cola products, are the reasons for the contract's longevity.

Although the terms of the existing vending machine contract appear favorable, opportunities for more lucrative commissions may exist. Through competition, the Exchange would ensure that the vendor provides the best and most economical services, products, and commissions available.

RECOMMENDATION 2

The Exchange should compete the vending concessions contract, at least every three years, to ensure that the best available benefits are being provided.

Management Response

Concur. The Exchange is currently competing the vending contract and will do so periodically as suggested.

***Evaluation of
Management's
Response***

The actions taken and planned by the LeRC Exchange is responsive to the recommendation.

**COMPETITION FOR
LIABILITY
INSURANCE
REDUCES
COST**

The Exchange had not competed its liability insurance coverage for many years. After discussions with the OIG, the Operations Manager agreed to compete the policy during the 1993 renewal period. The competition saved the Exchange approximately \$6,000.

NMI 9050.6C states that the procurement and contracting philosophy of an Exchange shall conform as nearly as practicable to those of NASA. Specifically, the Exchange should solicit competition where meaningful competition can be obtained. The OIG believed that the procurement of liability insurance was an instance where meaningful competition could be obtained.

The Exchange had not competed the liability insurance since the mid 1980s. When the OIG discussed this matter with the Operations Manager, he agreed to compete the policy during the 1993 renewal period.

The policy was competed in June 1993. The new annual policy cut the premium by 58 percent and saved the Exchange about \$6,000. Continued competition of the insurance policy may result in additional savings in future years. These savings could be used to further support the Exchanges goal of improving the morale and welfare of LeRC employees.

RECOMMENDATION 3

The LeRC Exchange should continue to compete the liability insurance coverage, at least every three years, in order to obtain the lowest cost available.

Management Response

Concur. The Exchange will continue to compete the liability insurance coverage.

**Evaluation of
Management's
Response**

The action planned by the LeRC Exchange is responsive to the recommendation.

APPENDIX A

**Proposed NASA Exchange Expense and Funding Document
(To Be Issued To LeRC Personnel)**

19XX OFFICIAL EXPENSES

Expense	Amount
4000 Directorate Awards	
50th Anniversary	
50th Anniversary Dance	
Berea City Schools/Inservice	
Cedar Point Day	
CFC '91	
CFC '92	
Children's Christmas Show	
Donation for Underprivileged Children	
East High Finance Class	
Engraving - Al Wolfe	
Exchange Christmas Party	
Exchange Survey	
Fire Prevention Week	
Half Price Beverage Day	
Ice Hockey	
Info Exchange - Women's Groups	
Japanese Visit	
Junior Achievement	
Meeting	
NASA Employee Picnic	
NASA Lewis Shoe Fund	
NASA Christmas Dance	
National Secretaries Week	
New Employee Orientation	
NPPS Program Awards	
Official Gifts	
Official Postage	
Plaques	
Plum Brook Open House Luncheon	
Red Cross	
Savings Bonds	
Speakers Bureau Recognition	
Sportsman Club	
Thanksgiving Day Appreciation	
Trick Or Treat/Day Care	
Union Management Activity	
User Friendly Logon Project	
TOTAL	

19XX FUNDED PROGRAMS

Program	Amount
Awareness (Social Events)	
External Affairs	
EEO Activities	
Director's Discretionary Fund	
TOTAL	

National Aeronautics and
Space Administration

Lewis Research Center
Cleveland, Ohio
44135



DEC 2 1993

Reply to Attn of

0100

TO: 0160/OIG Center Director, LeRC
FROM: 0100/Associate Director
SUBJECT: Response to Draft Report, LeRC Exchange
A-LE-92-008

Thank you for the opportunity to review and respond to your Draft Report on the LeRC Exchange, A-LE-92-008. Our response to each of the three recommendations follows (after comments):

The "gift shop" to which your report refers is in reality an employee store which handles a range of necessities and convenience items that would normally not be found in a gift shop. Additionally, the Exchange operates the store at the Visitor Information Center - not the visitor center.

The "Multi-Cultural Advisory Program" to which the report refers is not a multi-cultural program but rather a series of advisory groups administered through the Center's Equal Employment Opportunity Office.

The reference to the Exchange's Operating Fund of some \$300,000 includes an operating reserve of \$150,000 plus the current value of the Exchange's inventory. We believe this clarification will materially aid in understanding the nature and purpose of this fund.

In your listing of the Exchange's organizational components you omit any reference to the Chairman of the Exchange Council and the Exchange Treasurer, both of which are key components of the overall operation.

Finally, in reciting the "most prevalent concerns" from the 1992 survey you perpetuate a misconception fostered by those who designed and distributed the survey. The \$500,000 reserve cited was amassed over a period of eight years and represents an accumulation of money derived from all Exchange operations including interest on investments. Regrettably, the cover memo distributing the survey created the impression that the reserve had been accumulated in one year exclusively from cafeteria operations.

OIG Recommendation #1:

The Exchange should publish and distribute an annual accounting of its activities and expenditures. Included in this publication should be abbreviated financial statements as well as a listing of funds provided to various Center programs and activities.

LeRC Response:

Concur. The Exchange will publish both a financial statement and a summary list of expenditures.

OIG Recommendation #2:

The Exchange should compete the vending concessions contract, at least every three years, to ensure that the best available benefits are being provided.

LeRC Response:

Concur. The Exchange is currently competing the vending contract and will do so periodically as suggested.

OIG Recommendation #3:

The LeRC Exchange should continue to compete the liability insurance coverage, at least every three years, in order to obtain the lowest cost available.

LeRC Response:

Concur. The Exchange will continue to compete the liability insurance coverage.

We suggest that all three recommendations be considered closed upon issuance of the final report.


Joseph A. Saggio

Appendix F

NASA Management Response

National Aeronautics and
Space Administration
John H. Glenn Research Center
Lewis Field
Cleveland, OH 44135-3191



SEP 15 2000

Reply to Attn of: 0200

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

FROM: 0100/Director

SUBJECT: Glenn Research Center Exchange Activities, G-99-016
Draft Report

In response to the Code W (D. Cushing) request of August 14, 2000, subject as above, we offer the following for inclusion in the Agency response.

Recommendations for Corrective Action

Recommendation 1: The Council should review and approve Exchange expenditures.

GRC Response:

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

Consistent with Paragraph 5. (c) (1) of NPD 9050.6E, the Center will include in the Exchange bylaws referenced in the response to Recommendation 8, below, procedures by which the Exchange Council will "determine the extent of Exchange support of welfare and morale activities." We are concurring with the assumption that the review and approval of Exchange expenditures does not apply to the day-to-day operating expenditures which are more appropriately left to the discretion of the Exchange Business Manager with oversight from the Exchange Operations Manager.

Recommendation 2: The Center Director should ensure that appropriated funds are used to pay for official Agency expenditures such as employees' attendance at training or seminars.

GRC Response:

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

The Center will re-emphasize its established policy of using appropriated funds where such use is determined to be legally appropriate. The Center will continue to make those determinations consistent with the most current guidance from GSA and other relevant authorities.

Recommendation 3: The Associate Administrator for Headquarters Operations should 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.

Associate Administrator for Headquarters Operations Response:

Concur with the recommendation.

Actions Planned, In Process, or Complete

The Associate Administrator for Headquarters Operations will apprise Center Directors of the use of the Administrator's Fund for official reception and representational expenses. NPD 9050.4F and NPG 9050.1 define the processes and procedures for using the Administrator's Fund. Following these procedures will comply in full with the OIG's request to allocate funds to Centers for their use.

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

GRC Response:

GRC concurs with the recommendation

Actions Planned, In Process, or Complete

The Center will improve the Exchange's record keeping processes to provide greater detail concerning the specific welfare and morale benefits derived from particular expenditures, as well as the names of individuals whose representation of the Center at community activities is funded by the Exchange.

Recommendation 5: The Center Director should ensure that the signatures of two Exchange members are required for all checks.

GRC Response:

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

The Center will assure that Exchange bylaws referenced in the response to Recommendation 8, below, provide for 2 authorized signatures on all expenditures. Currently our internal controls require that Exchange expenditures are reviewed by Exchange employees who validate material receipt, the Exchange Accounting Technician, and finally the Exchange Treasurer (Civil Servant), before the Treasurer signs a check. We will modify our procedure to require the Exchange Accounting Technician and Treasurer (or their back-ups) to sign all checks for Exchange expenditures.

Recommendation 6: The Center Director should ensure that the Center observes Department of Education regulations in implementing the Randolph-Sheppard Act (RSA).

GRC Response:

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

The Center will assure that applicable regulations are followed and that any issues concerning compliance with the regulations are resolved consistent with the procedures set out in 34 CFR §395.36.

Recommendation 7: The Center should notify the State Licensing Agency and negotiate an appropriate agreement concerning its obligations under RSA.

GRC Response:

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

The Center will notify the State Licensing Agency of the Center's desire to initiate negotiation of an agreement concerning its obligations under RSA.

Recommendation 8: The Center Director should ensure that a constitution, bylaws, and regulations are promulgated for the Glenn Exchange. This guidance should be disseminated to the Council members and made available to all members of the Glenn community.

GRC Response

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

The Center will appropriately promulgate a constitution and bylaws for the Glenn Exchange.

Recommendation 9: The bookkeeper should receive training in how to reconcile the bank statement to the general ledger. The CFO should ensure that the reconciliation is completed on a timely basis.

GRC Response:

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

The Center will assure that bookkeeper for the Exchange receives appropriate training in reconciling the bank statement to the general ledger.

Recommendation 10: The Center Director should ensure that there is full compliance with agreed upon recommendations from Audit Report LE-94-001.

GRC Response:

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

The Center will fully comply with all agreed upon recommendations from Audit Report LE-94-001.

Recommendation 11: 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.

GRC Response:

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

The Center will include in the constitution and bylaws referenced in response to Recommendation 8 above, a requirement for the retention of accurate minutes of regularly scheduled Exchange Council meetings.

Recommendation 12: The Exchange should contact the responsible insurance company and request an addendum to add the United States as an additional insured.


GRC Response:

GRC concurs with the recommendation.

Actions Planned, In Process, or Complete

The Center will take appropriate steps to add the United States as a named insured to its liability insurance policy.

We plan to complete all of our corrective actions by December 29, 2000. The GRC Corrective Action Official is John M. Hairston, Jr. and the Corrective Action Closure Official is Robert E. Fails. The Corrective Action Official and Corrective Action Closure Official for Recommendation 3, Headquarters Operations, is Dennis C. Bridge.



Donald J. Campbell

cc:

HQ/B/M. L. Peterson
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 JR/A. D. Harding
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 RS/S. M. Humphrey

Appendix G

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