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UNITED STATES GENERAL ACCOUNTING OFFICE
DALLAS REGIONAL OFFICE
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DALLAS, TEXAS 75202

FEB 4 1972

Dr. Christopher C. Kraft, Jr.
Director, Manned Spacecraft Center
National Aeronautics and Space Administration
2101 Webster-Seabrook Road
Houston, Texas 77058

Dear Doctor Kraft:

The General Accounting Office reviewed selected administrative operations and related financial transactions at the National Aeronautics and Space Administration's (NASA) Manned Spacecraft Center (MSC), Houston, Texas, for the six-year period ended June 30, 1971.

The purpose of the review was to determine the adequacy of the financial management system, including internal audit; to assure that expenditure and revenue transactions are valid, appropriate, and legal; and to serve as the basis for settlement of the certifying and collection officer's accounts. The program activities of the various organizations were not included in this review.

To test the effectiveness of the system, we used statistical sampling techniques to randomly select a representative sample of financial transactions for detailed examination in the areas of civilian pay, travel and commercial disbursements.

Our review disclosed that MSC's management system adequately safeguarded the Government's interest except for certain practices and procedures relating to (1) authorization and control over temporary duty travel, including travel expense vouchering, and (2) handling of cash collections. A summary of our findings and corrective actions initiated by Center officials follows.

NEED TO STRENGTHEN CONTROLS OVER
TRAVEL AND RELATED EXPENSES

We found that (1) travel of employees was not being adequately coordinated to minimize rental vehicle expenses, (2) certain travel vouchers certified for payment did not contain essential data or support as required by the Standardized Government Travel Regulations (SGTR), and (3) rental car invoices were not being reviewed for propriety of amounts certified for payment.

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Many deficiencies related to travel discussed in this report were also identified and reported by the NASA Regional Audit Office, MSC, in its report entitled "Audit of Travel Controls and Practices" dated January 19, 1971. MSC management had generally not agreed with the auditor's recommendations to strengthen internal surveillance and controls. The NASA auditors also found other deficiencies in MSC's management of the travel funds allocated to the center, that we did not find in our review. These deficiencies reported by the NASA auditors indicated a need to develop and implement advanced travel plans as well as adequate criteria for determining the essentiality of specific trips. They also recommended a reduction in the number of travel authorizing officials.

Cost of renting automobiles should
be reduced

We reviewed the use of rental vehicles by MSC travelers attending three separate meetings during the month of September 1970 and found that a large number of those in attendance at each meeting rented vehicles. Based on a MSC regulation requiring at least four travelers to share a single rented car when possible, we estimate that MSC incurred excess cost of about \$1,500 for the three groups.

To illustrate, one group consisting of 25 employees from one directorate attended a three-day meeting in Los Angeles, California. Twenty-two of the 25, or 88 percent of the group, rented cars while in Los Angeles. The total cost was about \$700. No more than seven cars would have been required for the 25 employees based on MSC criteria that at least four persons should utilize each rented vehicle. We estimate that cost of the seven vehicles needed for this trip would have been only \$224--indicating that \$476 of the cost incurred could have been saved.

We discussed this trip with a responsible MSC official in the Directorate involved. He described some extenuating circumstances, but agreed that the number of rental cars authorized and used should have been reduced.

Lack of coordination of rental vehicles was brought to the attention of Center management in November 1970 by the NASA Regional Audit Office. Its final report cited an example where vehicles were rented by 24 of 28 employees attending a meeting in Downey, California, during the week ended May 22, 1970. The report also pointed out that there were 16,192 travel claims filed in Fiscal Year 1970 and a total of 8,228 automobiles were rented by these travelers. The MSC Associate Director in January 1971 advised the NASA Regional Audit Office Manager that he did not concur with the recommendation to implement procedures requiring officials

to coordinate manpower requirements to minimize the number of rental vehicles because he felt that the procedures being following at that time were adequate. These procedures were also being following during the period of our review.

As a result of our findings, Center officials developed new procedures for the authorization and control of rental cars. These new procedures implemented by MSC announcement dated October 14, 1971 require Directors or program managers to coordinate the rental car needs of travelers from their organizations. Travelers were further admonished to share rental cars with other MSC travelers where practicable even in instances where they hold individual authorizations to rent cars. If properly followed, we believe the procedures will reduce rental car expenses significantly.

Need to improve travel voucher
preparation practices and procedures

We reviewed 99 MSC employee travel vouchers selected at random from travel vouchers paid in fiscal year 1970 and found that 54 of the vouchers contained at least one discrepancy. Most discrepancies indicated a failure to meet one or more requirements of the Standardized Government Travel Regulations. These travel voucher discrepancies which in some instances resulted in erroneous payments, included (1) failure to show leaves of absence while in travel status; (2) alterations in totals not initialed by travelers; (3) one case where use of Government furnished quarters was not shown; and (4) failure to show speedometer readings to support local mileage claims.

The majority of discrepancies were, in our opinion, attributable to MSC's policy of not requiring travelers to submit complete vouchers. The Center followed a practice of accepting travel vouchers in various stages of completion. MSC's travel unit personnel were responsible for the final preparation and review of travel vouchers. In several instances, we found that errors occurred because the travel unit personnel completing the vouchers either misinterpreted or disregarded information furnished to them by the travelers.

Details of the discrepancies we found in the MSC vouchers are presented below.

Leave not shown on travel vouchers

There were seven vouchers in our sample in which the travelers took leave while in travel status, but none of the travel vouchers showed that leave was taken as required by travel regulations. Two of the seven vouchers resulted in overpayments of about \$42.00. Upon our inquiry, the collection agent collected these overpayments,

and the Associate Director issued a memorandum requiring all travelers to make a positive statement on travel vouchers regarding leave taken while in travel status.

In addition, we were advised that each month a randomly selected sample of vouchers would be compared to related time and attendance records to determine whether leave was reported.

Changes on travel vouchers not
initialed by traveler

Twenty of the travel vouchers in our sample had erasures and alterations in totals. None of these changes were initialed by the travelers as required by the travel regulations. Instead changes were made and generally initialed by voucher examiners without the prior concurrence of the traveler. However, one voucher with changes in the totals was initialed by neither the traveler nor the voucher examiner. Since the traveler is responsible for amounts claimed on his travel voucher, we believe it is imperative that travelers initial changes on their travel vouchers to act as a deterrent against improper claims and to serve as a measure of internal control over items claimed.

The NASA audit report cited earlier, pointed out that voucher examiners were spending a significant amount of time in obtaining information to complete the vouchers. The auditor recommended that MSC require each traveler to file a claim for reimbursement that is complete in every detail. However, the auditor's suggestion was not accepted.

Based on our findings, the procedures for preparing and auditing travel vouchers were revised requiring travelers to sign completed vouchers. Any corrections to vouchers must also be approved by the traveler. Also, we were told that there would be a segregation of duties of personnel completing and auditing vouchers to the extent it is feasible.

Overpayment of per diem while occupying
Government quarters

One of the travelers in our sample was authorized to attend a course in Dayton, Ohio, beginning about August 9, 1969, and ending about September 7, 1969. The traveler was authorized and was paid a daily per diem rate of \$16 while attending the course. There was no indication on the travel authorization that the employee was to use Government quarters and the travel voucher showed no indication that Government quarters were used. However, attached to the travel voucher was a letter from Wright-Patterson Air Force Base, Ohio,

where the course was held, stating that reservations were normally made for the students at the Visiting Officers' Quarters. The traveler advised us he had used the Visiting Officers' Quarters at Wright-Patterson Air Force Base and paid \$2.50 a night. NASA Travel Regulations stated that when Government quarters are used by NASA travelers, they are entitled to one-half the authorized per diem rate, plus any amount paid for the lodgings. We brought this finding to the certifying officer who collected the \$143 overpayment from the traveler.

The NASA internal audit report previously cited, also reported a case in which the traveler did not show he was furnished Government quarters and meals for 13 days.

We were advised that authorizing and approving officials would be reminded of the necessity for including a statement on travel orders when Government quarters are to be used.

Speedometer readings not shown on vouchers

In our sample we found 70 travel vouchers in which the travelers used privately owned automobiles for official purposes, but 37 of the vouchers did not show speedometer readings, supporting the mileage claimed as required by the Standardized Government Travel Regulations. These vouchers were paid without any speedometer readings or other factual justification for the mileage.

We were advised that MSC would develop and implement a procedure that would provide the traveler an option of placing on file with the travel unit a certified statement of the mileage for specific trips in lieu of reporting speedometer readings on all vouchers. In our opinion, this would provide the voucher examiner with a basis for verifying mileage claims.

Inadequate internal controls over rental car payments

We noted rental car invoices were overpaid by about \$64 in February 1971 because the invoices were not properly audited by the voucher examiners. Rental car invoices were not a part of our random sample of vouchers. We believe that a proper examination of invoices is one prerequisite of a strong and effective system of internal control.

MSC paid \$235,212 for the use of commercial cars during the 12-month period ending February 28, 1971, of which 446 invoices totaling \$23,249 were paid in February 1971. About 41 percent of these rentals

were placed with rental car companies who had a contract with the General Services Administration and were listed in the Federal Supply Schedule. The overpayments we noted were the result of lost discounts, duplication of the fees for collision damage waiver already included in the basic rental rates for GSA contract rentals, and inclusion of items not reimbursable under Government regulations. We found voucher examiners did not use the rates and terms stated in the Federal Supply Schedule.

The supervisor of the travel unit said that audit of the rental car invoices consisted of the verification of the extensions and footing of the invoices. He said he did not know of the Federal Supply Schedule and that the voucher examiners had now started using the schedule to verify rental rates and discounts. Collection action on overpayments we noted was initiated during our review.

CASH COLLECTIONS

Our review of internal controls over collections disclosed that there was not an adequate segregation of duties over various cash collection activities. We found that, for certain types of collections, the collection agent was responsible for preparing the billings, collecting the amounts due (including the opening of mail receipts), preparing the cash deposit slip, and depositing collections at the bank. We also found that periodic reviews of the activities of the collection agent were not being made as required by a NASA regulation and deposits were not being made daily as required by the GAO Policies and Procedures Manual for Guidance of Federal Agencies.

Segregation of duties needed

Cash collections during the 12 months ending April 28, 1971, amounted to about \$1.6 million of which about \$98,000 was for airline ticket refunds, library fines and collections by the Public Affairs Officer. These collections, including mail receipts, were made by the collection agent who also listed the collections in the Daily Cash Receipts Report and prepared the certificate of deposit and made the deposit at the bank. In addition, the collection agent issued bills for collection for lost library books, unused travel advances and unused airline tickets.

Both a NASA regulation and the GAO Policies and Procedures Manual for Guidance of Federal Agencies emphasize the need for segregation of duties as an effective internal control over collections. The NASA regulation specifically states that employees who engage in billing operations will not collect revenue or deposit such collections.

When we brought these discrepancies to the attention of the Chief of the Financial Management Division, he took the following actions to segregate duties and strengthen internal control procedures.

- All division mail will be opened by someone other than the collection agent and all cash, checks, money orders, or other negotiable instruments received through the mail will be recorded immediately in a log maintained for this purpose.
- Periodically an independent verification will be made to assure that all amounts recorded in the log have been properly entered in the records of the cash collection agent.
- Amounts due the Government from unused airline tickets, Public Affairs Office collections, and lost library books will be established with the accounts receivable clerk independent of data routed through the collection clerk.

If properly carried out, we believe that these actions are adequate to assure that all amounts due the Government will be properly controlled and accounted for in the future.

Periodic reviews not made

There had been no administrative reviews of the activities of the collection officer between April 1969 and July 1971. A NASA regulation requires periodic review of these activities to verify that timely and accurate depositing is being made and to assure that cash collections are being handled in accordance with NASA instructions. This regulation further states that an unannounced count of undeposited collections will be made at least quarterly.

We believe that these administrative reviews are essential to an effective system of internal control and should be made more frequently.

When we brought this matter to the attention of the Chief of the Financial Management Division, he delegated the responsibility for performing unannounced verifications of funds held by the collection agent at least quarterly to one of his branch chiefs until such time as an internal review function is established.

More frequent deposit of collections needed

The MSC collection agent made 47 cash deposits during the 12 months ending April 28, 1971. This was an average of less than one a week. An MSC regulation required that deposits be made weekly or whenever collections reached \$15,000, whichever is sooner. However, the GAO Policies and Procedures Manual for Guidance of Federal Agencies states that collections will be deposited daily insofar as possible.

We found that MSC used the Federal Reserve Bank in Houston as a depository, making daily deposits impractical because of its distance from MSC. We suggested that MSC explore the possibility of depositing their collections in a local depository located closer to the center. Subsequently, a MSC official advised us that action had been initiated through NASA Headquarters to obtain permission to use a local depository to make daily deposits.

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In summary, we believe the actions initiated as a result of our findings were adequate and should correct the weaknesses in internal control we observed. We believe it is noteworthy, however, to observe that many of the internal control deficiencies we observed would not have existed if MSC had reacted appropriately to the same matters and others pointed out in the NASA Regional Audit Officer's report of January 1971.


We are of the opinion that internal audit and other surveillance organizations are indispensable tools of management for assuring that controls and procedures logically conceived are subsequently exercised. Failure to accept the findings and recommendations of the internal auditor unnecessarily delayed correction of the deficient practices and controls we observed.

In accordance with the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies (8 GAO 13) the records of financial transactions through June 30, 1971, may be transferred to the Federal Records Center for storage in accordance with your agency's records management program.

We wish to express our appreciation for the courtesies and assistance provided to our staff during the review. We request your comments regarding the final actions taken on our findings.

A copy of this report is being furnished to the Assistant Administrator, Office of Administration, National Aeronautics and Space Administration.

Sincerely yours,


W. H. Sheley, Jr.
Regional Manager