

GO-96-005

**AUDIT
REPORT**

**CENTER DIRECTOR'S
DISCRETIONARY FUND**

GODDARD SPACE FLIGHT CENTER

AUGUST 30, 1996



National Aeronautics and
Space Administration

OFFICE OF INSPECTOR GENERAL

National Aeronautics and
Space Administration

Headquarters

Washington, DC 20546-0001



AUG 30 1996

Reply to Attn of:

W

TO: 100/Center Director, GSFC

FROM: W/Assistant Inspector General for Auditing

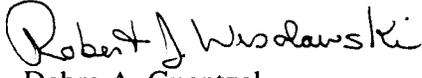
SUBJECT: Center Director's Discretionary Fund
Assignment No. A-GO-96-001
Report No. GO-96-005

The NASA Office of Inspector General has completed a survey of the Center Director's Discretionary Fund (CDDF) at the Goddard Space Flight Center (GSFC). The objectives of the survey were to evaluate the CDDF's compliance with regulations, and the project selection process. The survey also evaluated the efficiency and economy of the fund's operation, and controls for oversight and tracking of funds.

The survey showed that (1) administration of the CDDF is in compliance with guidelines established by the NASA Chief Scientist in 1977, (2) the selection of CDDF projects is fair and competitive, (3) the fund is operated efficiently and economically, and (4) oversight of fund activities is adequate. The survey did show that annual reports do not accurately reflect CDDF activity. Management actions to correct this condition will ensure that accurate and complete information is provided to personnel responsible for determining the level of funding provided for the CDDF.

A draft report was issued on July 25, 1996. The Center's official response was received on August 13, 1996. The Center's response is included after the report's recommendation and is presented in its entirety as Appendix A to the report. The response indicates that management has planned corrective actions that are generally considered responsive to the intent of the recommendation. We, therefore, consider the recommendation to be closed for reporting purposes.

If you have any questions, please contact Kevin Carson, Audit Field Office Manager, at 301-286-0498; Robert Wesolowski, Director, Audit Division-A, or me at 202-358-1232.


for Debra A. Guentzel

Enclosure

cc:
JMC/P. Chait
201/J. Clark

INTRODUCTION

The NASA Office of Inspector General has completed a survey of the Center Director's Discretionary Fund (CDDF) at the Goddard Space Flight Center (GSFC). The CDDF was established in November 1977 by the NASA Chief Scientist. Funds were distributed beginning in Fiscal Year (FY) 1979. The CDDF permits the initiation of projects for new concepts or devices that appear promising, but are not supported by an approved program. Project proposals for CDDF funding must represent work that is innovative, imaginative, and forward-reaching, must be consistent with GSFC's mission, technically feasible (although risky), and make efficient and appropriate use of resources. CDDF funding is usually provided for a maximum of two years.

According to the guidance which established the CDDF, the Deputy Administrator sets the annual fund amount and distributes the program authority to each center. Further, each Center Director is accountable directly to the Deputy Administrator and will provide an annual report to him on the use of CDDF funds for the past year.

At GSFC, the Office of University Programs is responsible for disbursing and overseeing the funds awarded from the CDDF. The Office of University Programs is also responsible for coordinating the proposal review process, including assembling a technical review panel consisting of the Goddard Senior Fellows and other senior GSFC engineers and scientists.

The CDDF at the GSFC received initial funding in the amount of \$250,000 for FY 1979. This amount has periodically increased to the current funding of \$2,697,000 for FY 1996.

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OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objectives of the survey were to evaluate the CDDF's (1) compliance with regulations, and (2) the project selection process. The survey also evaluated the (1) efficiency and economy of the fund's operation, and (2) controls for oversight and tracking of funds.

SCOPE AND METHODOLOGY

The survey was performed in accordance with generally accepted government auditing standards, and included such examinations and tests of applicable records, documents, and management controls as were considered necessary in the circumstances. The scope of this survey included reviewing:

- The CDDF project selection process.
- CDDF awards for FY's 1994 and 1995.
- CDDF expenditures made by principal investigators.
- Authorized funding limitations.
- CDDF Annual Reports.

MANAGEMENT CONTROLS REVIEWED

The significant management controls reviewed include:

- Procedures followed for review and ranking of proposals for CDDF funding.
- November 21, 1977 letter from NASA Chief Scientist establishing rules for CDDF.
- Reports used to monitor fund usage and expenditures.

A management control weakness in the area of annual reporting was identified during the survey. This weakness is discussed in detail in the Observations and Recommendations section of the report.

***SURVEY FIELD
WORK***

Survey field work was conducted from October 1995 through March 1996 at the GSFC.

OBSERVATIONS AND RECOMMENDATIONS

OVERALL EVALUATION

The survey showed that (1) administration of the CDDF is in compliance with guidelines established by the NASA Chief Scientist in 1977, (2) the selection of CDDF projects is fair and competitive, (3) the fund is operated efficiently and economically, and (4) oversight of fund activities is adequate. The survey did show that annual reports do not accurately reflect CDDF activity. Management actions to correct this condition will ensure that accurate and complete information is provided to personnel responsible for determining the level of funding provided for the CDDF.

ANNUAL REPORTS DO NOT ACCURATELY REFLECT CDDF ACTIVITY

CDDF annual reports do not accurately reflect all program activity. Specifically, financial information regarding the NASA Space Academy was not included in the 1993 and 1994 CDDF annual reports submitted to NASA Headquarters. Personnel responsible for administration of the CDDF could not explain why financial information on these student programs was excluded from the annual report. As a result of these omissions, the NASA Deputy Administrator established the following year's funding level using financial information that was not complete.

In a November 21, 1977 letter to the NASA Deputy Administrator, the NASA Chief Scientist approved the establishment of a CDDF for each center. The purpose of the CDDF was to permit initiation of work without formal review and approval by Headquarters for new concepts or devices that appear promising but are not supported by an approved program. Among the "ground rules" for the CDDF as specified in the letter were that "Center Directors are accountable to the Deputy Administrator and will provide an annual report on the use they have made of the funds for the past year." The CDDF is typically used to fund items needed to support research projects such as computer hardware and software, contractor support, fabrication and testing support, and various materials and supplies.

The NASA Space Academy is a summer research institute for senior undergraduate and graduate students planning to pursue careers in space related fields. The intent of the academy is to give students a working knowledge of NASA and its programs. The NASA Space Academy is co-sponsored by NASA Field Centers and the NASA Space Grant Program. The academy was initiated at the GSFC during 1993 by the Office of University Programs. After a competitive

selection process, academy students are assigned to a GSFC researcher on a specific CDDF project.

The survey showed that financial information regarding the NASA Space Academy was not included in the CDDF annual reports that were submitted to the Deputy Administrator. During FYs 1993 and 1994, CDDF funds in the amount of \$233,600 were used to support NASA Space Academy students assigned to CDDF projects. The funds were primarily used to provide local transportation, housing, and meals for academy students. No mention was made of the amount of CDDF funds used for NASA Academy students supporting CDDF projects in either the 1993 or 1994 annual reports that were submitted to the NASA Deputy Administrator.

Personnel responsible for administration of the CDDF could not explain why financial information on the NASA Space Academy was excluded from GSFC's annual report of fund activity. As a result, the NASA Deputy Administrator did not have accurate information to consider in establishing the following year's CDDF funding levels. The Director, Office of University Programs, should ensure the annual reports submitted to NASA Headquarters accurately reflect fund usage.

RECOMMENDATION

The Director, Office of University Programs, should ensure that the CDDF annual report submitted to the NASA Deputy Administrator accurately reflects fund usage. Specifically, funds used to support NASA Space Academy students assigned to CDDF projects should be reflected by each project in the annual report.

***MANAGEMENT
RESPONSE***

Concur. The Director of the Office of University Programs will ensure that the 1996 CDDF report and all future reports properly reflect the funds used to support NASA Space Academy or other students occupied in GSFC research assigned to CDDF projects. The funds will be reported separately for each CDDF project. The 1996 CDDF report will be issued in March 1997.

***EVALUATION OF
MANAGEMENT'S
RESPONSE***

The actions planned are considered responsive to the intent of the recommendation.

Management's Response

National Aeronautics and
Space Administration
Goddard Space Flight Center
Greenbelt, MD 20771



Reply to Attn of 201

AUG 13 1996

TO: NASA Headquarters
Attn: W/Assistant Inspector General for Auditing

FROM: 100/Director

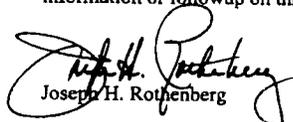
SUBJECT: GSFC Response to OIG Draft Report on Survey of
Center Director's Discretionary Fund (CDDF), A-GO-96-001, July 25, 1996

We concur with the subject survey report's recommendation to ensure that the CDDF annual report accurately reflects fund usage.

The Director of the Office of University Programs will ensure that the 1996 CDDF report and all future reports properly reflect the funds used to support NASA Space Academy or other students occupied in GSFC research assigned to CDDF projects. The funds will be reported separately for each CDDF project. The 1996 CDDF report will be issued in March 1997.

We consider the action under this recommendation to be ongoing and request it be closed for reporting purposes.

Please call Ms. Barbara Sally at 301-286-8436 if you have any questions or need further information or followup on this response.


Joseph H. Rothenberg

