



**Office of Inspector General**  
Washington, DC 20546-0001

JUN 22 2007

TO: Assistant Administrator, Office of Infrastructure and Administration  
President, Headquarters Exchange Council

FROM: Assistant Inspector General for Auditing

SUBJECT: Addendum to Final Memorandum on Follow-Up Review of the  
Management of the Headquarters Exchange (Report No. ML-07-005,  
March 13, 2007)

We requested additional management comments on the subject final memorandum because we did not consider the comments on Recommendation 2 to be responsive. We received additional management comments on April 25, 2007 (see the Enclosure) that are responsive; therefore, we consider the recommendation to be resolved. Following is a summary of management's comments on the recommendation and our evaluation of the comments.

### ***Recommendation 2***

In our draft memorandum, we recommended that the Headquarters Exchange Council establish an imprest fund at a financial institution.

In NASA's January 29, 2007, response to the draft memorandum, the Associate Administrator for Infrastructure and Administration nonconcurred, stating that the Headquarters Exchange had greatly reduced the amount of purchases made by the members, primarily through the use of a credit card specifically obtained for the purpose of making Exchange Council purchases. In addition, management stated that it had considered the benefit of an imprest fund, balanced against the risk of misuse, and determined that the Exchange Council needs to continue the practice of allowing Exchange Council members to use their personal funds to make purchases for the Exchange. Management also stated that such purchases are reviewed to ensure appropriate use of Council funds.

In response to management's comments, we revised the recommendation by eliminating the suggestion to establish an imprest fund and replacing it with a suggestion to establish a pre-approval process for all purchases made using personal funds. The revised recommendation addressed our conclusion that the Exchange assumes an unnecessary risk when allowing members to use personal funds for Exchange purchases. We believe that a pre-approval process would adequately mitigate that risk because the Exchange Council can more easily disapprove a planned purchase than a purchase for which a

member is seeking reimbursement. Therefore, in our final memorandum, we requested additional Agency comments on the recommendation to establish a pre-approval process.

NASA management submitted additional comments on April 25, 2007, concurring with the revised recommendation but not with our risk assessment, stating that the practice of allowing members to use personal funds to make purchases for the Exchange store has existed for more than a decade with no incident or risk to funds. In addition, many of the purchases are approved in advance. However, management stated that the Exchange would implement a practice of approving all use of personal funds verbally, in writing, or by e-mail by May 1, 2007. As of June 19, 2007, the Headquarters Exchange Council President stated that she had not yet implemented the proposed practice.

On the basis of these comments, the recommendation is resolved but will remain open until we receive evidence that the Exchange Council has implemented the recommendation.

We appreciate the courtesies extended the audit staff during the review. If you have any questions, or need additional information, please contact Ms. Catherine Schneiter, Financial and Institutional Management Director, Office of Audits, at 202-358-3789 or me at 202-358-2572.



Evelyn R. Klemstine

Enclosure

cc:

Chief Financial Officer

Acting Assistant Administrator for Internal Controls and Management Systems

Deputy Assistant Administrator, Office of Infrastructure and Administration

Acting Director, Logistics Management Division

Industrial Relations Officer, Logistics Management Division

Headquarters Exchange Council Members

## Management's Additional Comments

National Aeronautics and  
Space Administration  
**Headquarters**  
Washington, DC 20546-0001



April 25, 2007

Reply to Attn of: **Office of Infrastructure and Administration**

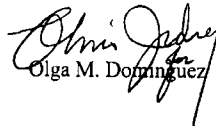
**TO:** Assistant Inspector General for Auditing  
**FROM:** Assistant Administrator for Infrastructure and Administration  
**SUBJECT:** Response to Final Memorandum on Follow-Up Review of the Management of the Headquarters Exchange (Report No. ML-07-005; Assignment No.A-06-010-01)

Thank you for the opportunity to provide additional comments to your final memorandum entitled "Follow-Up Review of the Management of the Headquarters Exchange," (Report No. ML-07-005). We generally concur with this recommendation and plan to implement the recommendation as delineated below.

**Recommendation 2:** *We recommend that the Headquarters Exchange Council establish a pre-approval process for all purchases made using personal funds.*

**Management's Response:** We concur with the recommendation but want to state that we do not agree with the risk assessment by the Office of Inspector General (OIG). This practice has been in existence for more than a decade with no incident or risk to funds. In fact, many of the purchases referenced are approved in advance. However, to comply with the OIG's recommendation, the Exchange will approve all uses of personal funds verbally, in writing or by email. This practice will be implemented by May 1, 2007. Based on this revised process, we request closure of this recommendation.

Thank you again for the opportunity to provide additional comments to the subject memorandum. If you have any questions regarding our response, please do not hesitate to contact Betsy Edwards on 358-4639.

  
Olga M. Dominguez

cc:

Associate Administrator for Institutions and Management/Mr. Luedtke  
Office of Infrastructure and Administration

- Mr. Jedrey
- Mr. Hupp