

**IG-98-017**

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**AUDIT  
REPORT**

**KENNEDY SPACE CENTER'S  
RECYCLING EFFORTS**

**June 12, 1998**

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National Aeronautics and  
Space Administration

**OFFICE OF INSPECTOR GENERAL**

**TABLE OF CONTENTS**

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EXECUTIVE SUMMARY ..... 1

INTRODUCTION ..... 2

OBJECTIVES, SCOPE, AND METHODOLOGY ..... 3

FINDINGS AND RECOMMENDATIONS ..... 4

    KSC IS COLLECTING AND REPORTING INACCURATE RECYCLING DATA.....4

    REVENUE COLLECTION NEEDS IMPROVEMENT.....9

APPENDIX A - MANAGEMENT’S RESPONSE ..... 16

APPENDIX B - OPINION OF KSC ASSOCIATE COUNSEL..... 20

APPENDIX C - REPORT DISTRIBUTION ..... 23

# EXECUTIVE SUMMARY

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## ***BACKGROUND***

Executive Order 12873, Federal Acquisition, Recycling and Waste Prevention, issued October 1993, requires the Federal Government to make more efficient use of natural resources by maximizing recycling and waste prevention activities. The Executive Order also requires agencies to develop an affirmative procurement program to purchase recycled or environmentally preferable products. In addition, NASA has made recycling a major component of its overall environmental strategy.

## ***OBJECTIVES***

The audit objective was to determine whether Kennedy Space Center (KSC) is maximizing recycling efforts. Our goal was to answer the following questions:

1. Is KSC meeting Executive Order 12873 requirements for recycling?
2. Is KSC properly collecting and accounting for revenues generated from recycling efforts?

## ***RESULTS OF AUDIT***

To monitor Agency progress in accomplishing recycling goals and objectives, NASA policy requires that certain reports be prepared, including an annual progress report as prescribed by Executive Order 12873. However, in many cases, KSC was not collecting and reporting accurate recycling data. The lack of consistency and the inaccurate data did not allow for reasonable measurements of program accomplishments.

In addition, KSC has no collection procedures to retain proceeds from its recycling program. Such proceeds can be used to benefit the existing recycling program or other Center environmental efforts. As a result, recycling revenue (\$141,431) was not available for KSC to fund additional recycling projects.

## ***RECOMMENDATIONS***

This report contains 10 recommendations to assist KSC in complying with Executive Order and Agency requirements and in collecting additional revenues that can be used to further promote the Center's recycling program.

## ***MANAGEMENT'S RESPONSE***

KSC concurred with all the recommendations and will establish procedures to improve accountability over recycling revenue. We consider planned actions responsive to the intent of the recommendations.

# INTRODUCTION

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Executive Order 12873, Federal Acquisition, Recycling and Waste Prevention, defines recycling as: “A series of activities, including collection, separation, and processing, by which products or other materials are recovered from the solid waste stream for use in the form of raw materials in the manufacture of new products....”

A major requirement of the Executive Order is to develop an affirmative procurement program to purchase recycled or environmentally preferable products as identified by the Environmental Protection Agency (EPA). The EPA has designated items that agencies are required to purchase with recycled content.

NASA has incorporated the Executive Order recycling concepts into its strategic environmental plan, entitled NASA Environmental Excellence for the Twenty First Century; NASA policy directives; and NASA procedures and guidelines. The NASA Headquarters (HQ) Office of Management Systems and Facilities, Environmental Management Division (Code JE), has the overall responsibility to meet the Executive Order requirements. However, Code JE has left much of the interpretation and implementation of NASA’s strategic environmental plan, including the development of procedures, to the individual Centers.

Recycling efforts at KSC involve three organizations:

**The Environmental Program Office (EPO)**, residing under the Biomedical Office, is responsible for Center-wide management of recycling efforts.

**The Environmental Operations Office**, residing under the Director of Installations and Operations, is responsible for operating and maintaining the system and functions for landfills, waste disposal, and paper recycling.

**The Property Disposal Officer**, residing under the Director of Logistics, in the Onsite Operations Division, is responsible for storage and disposal of surplus property, including scrap metal, computers, and excess equipment.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

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### ***OBJECTIVES***

The audit objective was to determine whether KSC is maximizing recycling efforts. Our goal was to answer the following questions:

1. Is KSC meeting Executive Order 12873 requirements for recycling?
2. Is KSC properly collecting and accounting for revenues generated from recycling efforts?

### ***SCOPE AND METHODOLOGY***

The scope of this review was limited to KSC's recycling activities, excluding waste prevention and recycling of hazardous materials. As part of our audit we:

- Reviewed the applicable laws and regulations as well as the Agency and contractor records for Fiscal Years (FY) 1995 and 1996 related to the audit objectives.
- Reviewed both NASA and contractor initiatives for maximizing recycling and promoting affirmative procurement for FYs 1995 and 1996.
- Conducted interviews with officials from NASA HQ and KSC and KSC contractors.
- Observed recycling locations in KSC facilities and the sale of recyclable materials.

### ***MANAGEMENT CONTROLS REVIEWED***

We reviewed the management controls in place for the collection and accounting of recycling revenue.

### ***AUDIT FIELD WORK***

We conducted audit field work at KSC from November 1996 through December 1997 in accordance with generally accepted government auditing standards.

## FINDINGS AND RECOMMENDATIONS

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### ***KSC IS COLLECTING AND REPORTING INACCURATE RECYCLING DATA***

The EPO is not accurately or completely collecting recycling data to satisfy reporting requirements. All required recycling data was not captured because the EPO did not have the necessary policies, procedures, or coordination in place to support and communicate the requirements of the Executive Order. Reported recycling accomplishments were overstated in some areas and understated in others making it impossible to measure recycling and affirmative program accomplishments.

### ***REPORTING REQUIREMENTS***

Executive Order, Section 402, requires NASA to track and report purchases of EPA-designated items and to provide justification why recycled items were not purchased. Section 601 requires NASA to set a recycling goal and report annual progress toward meeting the goal. Code JE is responsible for consolidating all Center reports into one Agency report for the Office of Federal Procurement Policy which, in turn, reports to the Congress. Also, Code JE requires the Centers to submit annual reports for internal use. To comply with the Executive Order and Code JE requirements, Centers prepare and submit three reports.

- ***The Resource Conservation and Recovery Act (RCRA) Summary Report*** requires NASA to report the total funds spent for purchases of EPA-designated items and to provide justification why recycled items were not purchased.
- ***The Recycling Questionnaire*** identifies recycling activities for internal metric purposes in an effort to track the Agency's progress on incorporating recycling into daily operations. Some specific questions are: What items are Centers recycling? What is the tonnage of items recycled? What cost avoidance resulted from recycling?
- ***The Recycling Funds Management Plan*** reports the amount of recycling sale proceeds. Centers must also report an actual and proposed recycling revenue utilization plan.

The EPO provided us with copies of KSC's RCRA Summary Reports, Recycling Questionnaires, and Recycling Funds Management Plan for FYs 1995 and 1996. We reviewed the supporting documentation for FY 1996 reports and compared amounts to those reported in FY 1995. In doing this, we noticed several inconsistencies and reporting errors.

**OVERSTATEMENT OF  
THE FY 1996  
AFFIRMATIVE  
PROCUREMENT  
PROGRAM  
ACCOMPLISHMENTS**

We reviewed the supporting documentation in the RCRA Summary Report and found that (1) KSC's largest contractor (United Space Alliance) omitted \$708,317 (Table 1, line 2) for purchases of EPA-designated materials and (2) included \$408,810 (Table 1, line 2) for EPA-designated materials purchased by the Visitor's Center (which does not use appropriated funds to procure EPA-designated items). These errors resulted in KSC reporting that 68 percent (Table 1, line 4) of its purchases met the affirmative procurement requirements, when only 47 percent (Table 1, line 2) met the requirements.

1	EPA Items	Reported in RCRA	USA* Omitted	Visitor's Ctr. Included	Net Effect
2	Total Purchased	\$2,153,533	\$708,317	\$408,810	\$2,453,040
3	Purchased Containing Recycled Materials	\$1,471,807	\$27,108	\$347,839	\$1,151,076
4	Percent Recycled	68%	4%	85%	47%
* United Space Alliance					

KSC did not meet the Executive Order 100-percent affirmative procurement requirement for the EPA-designated items. No technical impediments or waivers were provided to us to explain or justify why the EPO was not in compliance.

**COST AVOIDANCE  
FIGURES WERE  
OMITTED FROM THE  
FY 1996 RECYCLING  
QUESTIONNAIRE**

When we compared 2 years of data on the Recycling Questionnaires, we found that the recycling cost avoidance figure did not include amounts from several contractors. Through interviews with the contractors, we verified that their cost avoidance figures were omitted from the FY 1996 Recycling Questionnaire. Thus, instead of a decrease from FY 1995 to FY 1996, KSC had actually experienced an increase in the cost avoidance as a result of recycling efforts.

**A SUBSTANTIAL  
DECLINE IN  
RECYCLING REVENUE**

We reconciled the recycling revenue account to the amounts reported in the Recycling Funds Management Plan and found that FY 1995 funds were understated by \$29,747 (Table 2, line 3), while FY 1996 funds were overstated by \$107,198 (Table 2, line 3). Consequently, KSC experienced a decline in recycling revenue in FY 1996.

	Description	FY 1995	FY 1996	TOTAL
1	Reported to HQ	\$124,887	\$193,436	\$318,323
2	Audit Amounts	\$154,634	\$86,238	\$240,872
3	Difference	(\$29,747)	\$107,198	\$77,451

**CAUSES FOR  
INCONSISTENCIES AND  
REPORTING ERRORS**

The EPO did not have a clear definition of roles or program objectives because of (1) the continuous transition of personnel and program responsibilities; (2) a lack of procedures, coordination, and communication to effectively implement training and awareness programs to promote recycling; and (3) the ranking of other environmental areas as higher priorities.

***Continuous transition of personnel.*** In FY 1996, the KSC Director, Deputy Director, and Associate Director retired and the Chief and Deputy of the EPO left their positions.

Also in FY 1996, the recycling and affirmative procurement responsibilities were transitioned from the Environmental Operations Office to the EPO. During this process, certain efforts that the Environmental Operations Office had begun implementing were not carried forward. For example, documentation on how to collect the RCRA reporting data from the various components of KSC was not transferred to the EPO. As a result, RCRA reports for FYs 1995 and 1996 were inconsistent.

***Lack of procedures, coordination, and communication resulted in ineffective training and awareness programs.*** Contractors and component directorates were not clear on what data to capture and on the importance of submitting complete and accurate data. The EPO may not have exposed contractors and directorates to recycling and affirmative procurement requirements early enough in the fiscal year for them to adequately prepare and train staff to meet the RCRA reporting requirements. As a result, cost avoidance and affirmative procurement data were not captured from all sources at KSC.

***Ranking other environmental areas as higher priorities.*** The EPO selected minimizing the hazardous waste stream as a priority over recycling and affirmative procurement. As a result, the EPO did not have the necessary goals, policies, procedures, or infrastructure in place to support the Executive Order requirements.

This situation improved in August 1997 when the EPO issued draft objectives (plans) for recycling and affirmative procurement. However, the objectives fall short in several areas. For example, the plans do not provide guidance for determining whether an item should be recycled or procedures for evaluating the cost benefit of source separation. The objectives do not specifically address who is responsible for coordinating and promoting the recycling and affirmative procurement programs or for recycling items other than paper.



**CONCLUSION**

For meaningful reporting to occur, complete and accurate information must be submitted to NASA HQ. The EPO should verify recycling data for reasonableness and accuracy before submitting the reports to HQ. As a result of KSC's inconsistent reporting in FYs 1995 and 1996, erroneous comparisons and inaccurate conclusions were made on recycling and affirmative procurement program accomplishments.

**RECOMMENDATION 1**

We recommend that the KSC Center Director implement the necessary policies and procedures concerning recycling activities to minimize the impact of continuing management and staff turnover.

**MANAGEMENT'S  
RESPONSE**

Concur. The EPO finalized the recycling objective on October 20, 1997, and it is posted on the EPO Web page. The objective includes the definition of a recyclable material as defined by KSC legal counsel. Review of the affirmative procurement plans will be carried out as part of the KSC internal audit to ensure continuity of operations at all times, including times of personnel transition.

In addition, all the contractors have provided a list of recycling initiatives they are conducting along with schedules and cost. The initiatives will be published on the Web and maintained by EPO. Also, Logistics Operations has been identified as the point of contact to collect, review, and prepare the RCRA report to ensure consistency. The full text of management's response is in Appendix A.

**OIG EVALUATION OF  
MANAGEMENT'S  
RESPONSE**

The actions planned by management are responsive to the intent of the recommendation. We consider this recommendation closed for reporting purposes. We believe that the review of the affirmative procurement plans by KSC internal audit will help in obtaining complete, accurate, and consistent data for reporting and measuring program accomplishments. We also want to emphasize the importance of publishing the list of initiatives on the Web and of keeping the list current.

**RECOMMENDATION 2**

We recommend that the KSC Center Director ensure that Center goals and objectives for the recycling program are consistent with the Presidential directive and are clearly communicated to all Center employees and contractor personnel through training and awareness programs.

***MANAGEMENT'S  
RESPONSE***

Concur. The information concerning the objective for recycling is currently provided on the Web. The goal developed for recycling is consistent with the Presidential directive. The Pollution Prevention working group will review and update the existing goal and ensure that it is communicated to Center employees. This action will be complete within 4 months. Awareness activities will continue to include bulletin announcements, Center mailings, posters, etc. The EPO has developed an environmental calendar on the Web that lists all reports, meetings, actions, and inspections that will take place during the coming year. Training is currently accomplished by instructing employees on proper material and waste management techniques.

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

The actions planned by management are responsive to the intent of the recommendation. We will keep this recommendation open pending our review of management's revised recycling goal and procedures for communicating the goal to the employees. Recycling and affirmative procurement training classes should be scheduled and posted for all appropriate employees.

**REVENUE  
COLLECTION  
NEEDS  
IMPROVEMENT**

KSC does not have effective collection procedures for revenue generated from recycling. The primary reason for collection problems is that no one is accountable for or responsible to ensure that all recycling revenue is deposited into the proper KSC account. A secondary reason is that the General Services Administration (GSA) and the KSC disagree over what constitutes a recyclable sale. The combination of these reasons resulted in KSC not receiving \$141,431 (Table 3, line 10) of recycling sale proceeds in FYs 1995 and 1996. These problems may result in the Center not receiving future recycling revenue that it could use to promote its recycling efforts.

**RECYCLING IS A  
SOURCE OF FUNDS**

Public Law 103-329, enacted September 30, 1994, allows NASA to retain the proceeds from the sale of materials recovered through recycling programs. The law states that such funds are available until expended. These funds can be used for Executive Order recycling programs and the development and implementation of other environmental and employee programs as authorized by law or deemed appropriate.

In addition, the NASA Comptroller issued a letter on February 10, 1995, providing guidance for the appropriate capture and disbursement of recycling funds for designated purposes. The letter identifies account 80X6559 as the reimbursable deposit account for all proceeds from recycling and waste prevention activities. The letter also requires Centers to submit an end-of-year report to Code JE, identifying all account transactions, including deposits, obligations, and expenditures.

**PROBLEMS WITH  
REVENUE COLLECTION**

KSC recycles three items (scrap metal, paper, and tires) that generate revenue. The Center uses the GSA to conduct all sales of recyclable items because the GSA is considered to have the expertise in this area and the infrastructure to support the sale function.

The EPO is responsible for preparing the Recycling Funds Management Plan. We reconciled the figures reported in the FYs 1995 and 1996 Recycling Funds Management Plans to actual receipts and supporting documentation. We found that existing procedures do not ensure that the collecting and recording of recycling sale proceeds are timely, complete, and accurate. Some examples of our results follow.

- GSA has not transferred \$127,809 (Table 3, line 7) in scrap metal proceeds because GSA believed the sales were not recyclable sales. The GSA contracting officer involved with the sales explained that because scrap metal was sold to a scrap dealer and not a recycling vendor, the sale did not constitute a recyclable sale. However, the KSC Property Disposal Officer believed that the proceeds rightfully belonged to the Center because the scrap metal dealer was selling the commodity to a recycling facility. The Property Disposal Officer stated that it was not her responsibility to collect the revenue from GSA but that she brought this matter to the EPO's attention.
- GSA has not transferred \$13,411 (Table 3, line 9) in paper proceeds and \$211 (Table 3, line 8) in tire proceeds to KSC's account. Based on our review of the supporting documentation, we believe that the proceeds belong to KSC. Neither the Chief of the Environmental Operations Office nor the GSA Contracting Officer could explain why the funds had not been transferred.

<b>Table 3 Kennedy Space Center Reconciliation of Recycling Revenue</b>				
<b>1</b>	<b>Description</b>	<b>FY 1995</b>	<b>FY 1996</b>	<b>TOTAL</b>
<b>2</b>	<b>Deposited Amounts</b>			
3	Audit Amounts	\$154,634	\$86,238	\$240,872
4	Transferred from GSA to KSC	\$37,967	\$50,955	\$88,922
5	Difference	<b>\$116,667</b>	<b>\$35,283</b>	<b>\$151,950</b>
<b>6</b>	<b>Reconciling Items</b>			
7	Scrap Proceeds Not Transferred to KSC	\$103,151	\$24,658	\$127,809
8	Tire Proceeds Not Transferred to KSC	\$105	\$106	\$211
9	Paper Proceeds Not Transferred to KSC	\$13,411	\$0	\$13,411
<b>10</b>	<b>Subtotal Transfer Differences</b>			<b>\$141,431</b>
11	FY 96 Paper Proceeds Transfer in FY 97	\$0	\$6,354	\$6,354
12	FY 96 Scrap Proceeds Transfer in FY 97	\$0	\$4,165	\$4,165
<b>13</b>	<b>Subtotal Timing Differences</b>			<b>\$10,519</b>
<b>14</b>	<b>Total</b>	<b>\$116,667</b>	<b>\$35,283</b>	<b>\$151,950</b>

- KSC Office of the Chief Financial Officer received nine transfers of recycling revenue from GSA totaling \$35,961 (Table 4, line 4), but posted each transfer to the incorrect account. The supporting documentation clearly showed the item was recyclable and included the proper account. However, accounting personnel posted the funds to the miscellaneous receipts account, and the funds have been deposited in the U.S. Treasury. Appropriation law allows for the recovery of funds mistakenly deposited in the miscellaneous receipts account.

- GSA transferred \$2,174 (Table 4, line 3) in FY 1996 resulting from a scrap metal sale to KSC without sending supporting documentation. KSC accounting staff put the funds into a suspense account because they did not know the source or type of funds. For 7 months, the funds were unavailable to support recycling activities. When we did the reconciliation and identified the revenue as a recyclable sale, the Office of the Chief Financial Officer transferred the funds to the proper account for FYs 1996 and 1997 (Table 4, line 3).

		<b>FY 95</b>	<b>FY 96</b>	<b>10/1/96-- 3/31/97</b>	<b>TOTAL</b>
1	GSA Region IV Transferred to KSC -ACL 80-00-4904	\$37,967	\$50,955	\$49,374	\$138,295
2	Deposited in Recycling Revenue Account 80x6559	\$37,967	\$19,687	\$8,340	\$65,993
3	Deposited in Suspense Account 800F3875		\$2,174	\$16,550	\$18,724
4	Deposited in Miscellaneous Receipts Account 803220		\$29,094	\$6,867	\$35,961

***CAUSES FOR  
INCOMPLETE  
RECYCLING REVENUE  
COLLECTION***

A major reason for the revenue collection problems is that KSC does not have a single program office accountable for the recycling revenue or for performing a periodic reconciliation of the account. The EPO was aware that there were problems getting all the recycling revenue deposited in the proper account; however, the EPO has not been proactive in resolving this problem. Reconciliation is important especially when the control over sales rests with another agency (GSA). Collecting outstanding revenue should be a priority with EPO because the revenue can be used to fund proposed environmental projects in the Center’s Recycling Funds Management Plan.

Another obstacle causing collection problems is a disagreement between GSA and KSC over what constitutes a recyclable sale. No one has elevated the differences to a high enough level in both organizations to effectively resolve definition disputes.

Determining when personal property is considered a “recovered material” versus being categorized as “surplus property” is part of the disagreement between GSA and KSC. It is an important distinction because proceeds from the sale of recovered materials are returned to the Agency, whereas proceeds from the sale of surplus personal properties are not.

We asked the KSC legal counsel to give us an opinion on this matter (see Appendix B.) In essence, the legal position was that a recovered material consists of any item of personal property that has no value for other than its basic material content, or that has some value but no reasonable prospect for use without significant repair or rehabilitation.

***IMPACT OF POOR  
REVENUE COLLECTION***

As a result of incomplete recycling revenue collection, recycling funds that are rightfully KSC's are not available for recycling activities or environmental improvements. For example, KSC's Recycling Funds Management Plan, dated October 31, 1996, proposed several FY 1996 environmental projects. Because the revenue reported in the plan was not actually available for expenditure, these projects were not approved or funded. One such project was for construction of a compost facility that would extend the life of KSC's landfill.

***CONCLUSION***

Since KSC does not have a single program office accountable for recycling revenue and disagrees with GSA on what constitutes a recyclable sale, KSC has not collected \$141,431 (Table 3, line 10) in recycling revenue. If these issues do not get proper attention, the possibility exists that KSC may not get all future revenue to promote and fund environmental efforts.

***RECOMMENDATION 3***

We recommend that the KSC Center Director designate a single program office to be accountable for recycling revenue from cradle to grave.

***MANAGEMENT'S  
RESPONSE***

Concur. The EPO is the responsible office for ensuring that recycling revenues are tracked. The EPO, in conjunction with the Logistics Operations, Chief Financial Officer, and Installation Operations, will establish a procedure with clear responsibilities for tracking revenue from "cradle to grave" within 6 months.

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

The actions planned by management are responsive to the intent of the recommendation. We will keep this recommendation open pending our review of management's procedures for tracking recycling revenue. Because GSA has the contract with NASA to sell recyclable materials, the EPO should include GSA when establishing procedures for tracking recycling revenue from "cradle to grave."

***RECOMMENDATION 4***

We recommend that the KSC Center Director define what constitutes a recyclable sale and implement procedures to ensure that GSA complies with the definition.

**MANAGEMENT'S  
RESPONSE**

Concur. NASA has defined the items that constitute a recyclable sale and that should be considered reimbursable under Public Law 103. This definition has been sent to the legal staff of the GSA in Atlanta. GSA did not comment on this submittal, and KSC is operating with the understanding that GSA agrees with the definition. KSC has revised procedures to designate property by coding as it is received at the excessing facility, to ensure that the property meets Public Law 103 requirements of "reimbursable if sold." This will improve the reconciliation procedure.

**EVALUATION OF  
MANAGEMENT'S  
RESPONSE**

The actions planned by management are responsive to the intent of the recommendation. We will keep this recommendation open pending our review of management's confirmation that GSA is in agreement and following NASA's definition of a recyclable material.

**RECOMMENDATION 5**

We recommend that the KSC Center Director improve procedures to ensure that the collecting and recording of recycling sale proceeds are timely, complete, and accurate.

**MANAGEMENT'S  
RESPONSE**

Concur. Refer to comments in response to recommendation 3.

**EVALUATION OF  
MANAGEMENT'S  
RESPONSE**

The actions planned by management are responsive to the intent of the recommendation. We will keep this recommendation open pending our review of management's procedures for tracking recycling revenue. Because GSA has the contract with NASA to sell recyclable materials, the EPO should include GSA when establishing procedures for tracking recycling revenue from "cradle to grave."

**RECOMMENDATION 6**

We recommend that the KSC Center Director consider the benefits of either retaining the recycling sales function in-house or bringing in a third party.

**MANAGEMENT'S  
RESPONSE**

Concur. KSC will evaluate the benefits of retaining the activities in-house or having a third party conduct the sales function. It is estimated that this action will take 6 months. The recycling of paper and aluminum cans is already conducted in-house. The use of GSA for paper recycling stopped on April 28, 1998. GSA was never involved in the recycling of the aluminum cans.

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

The actions planned by management are responsive to the intent of the recommendation. We will keep this recommendation open pending our review of management's evaluation of whether there could be a benefit of retaining the activities in-house or having a third party conduct the sales function.

***RECOMMENDATION 7***

We recommend that the KSC Center Director take immediate steps to collect \$127,809 in scrap metal proceeds currently being retained by GSA.

***MANAGEMENT'S  
RESPONSE***

Concur. The EPO will identify the sale items in question to the Chief Financial Officer. The EPO will ask the Chief Financial Officer to request that GSA provide the proceeds from the past sales, including those from paper and tire sales. This action will be completed in 4 months.

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

The actions planned by management are responsive to the intent of the recommendation. We will keep this recommendation open pending our review of the results of management's inquiry.

***RECOMMENDATION 8***

We recommend that the KSC Center Director investigate why \$13,622 in paper and tire proceeds was not transferred by GSA to the KSC recycling account.

***MANAGEMENT'S  
RESPONSE***

Concur. Refer also to comments on recommendation 7. A KSC analysis of the documentation showed that on numerous occasions, the proceeds generated from the sale of the recyclable paper were used to reimburse East Coast Paper Stocks for the purchase of equipment necessary to conduct the Paper Recycling Program at KSC.

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

The actions planned by management are responsive to the intent of the recommendation. We will keep this recommendation open pending our review of the results of management's inquiry. We reviewed the analysis of paper proceeds and determined it only partially identified the amount in question.

***RECOMMENDATION 9***

We recommend that the KSC Center Director recover \$35,961 mistakenly posted to the miscellaneous receipts account.

***MANAGEMENT'S  
RESPONSE***

This item is complete. The amount in question was posted to the recycling account.

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

Management's action is responsive to the intent of the recommendation. We consider this recommendation closed for reporting purposes. According to the Office of the Chief Financial Officer, the funds have been recovered and are in the account.



The EPO should adjust the Recycling Funds Management Plan to reflect the additional recycling funds available for use.

**RECOMMENDATION 10** We recommend that the KSC Center Director reconcile the recycling account against supporting documentation, at a minimum, on an annual basis.

**MANAGEMENT'S RESPONSE** Concur. The EPO will coordinate the actions needed to reconcile the account quarterly, with the Logistics Operations, Installation Operations and the Chief Financial Officer. This action will take 3 months.

**EVALUATION OF MANAGEMENT'S RESPONSE** The actions planned by management are responsive to the intent of the recommendation. We will keep this recommendation open pending our review of management's reconciliation process.

## MANAGEMENT'S RESPONSE

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National Aeronautics and  
Space Administration  
**John F. Kennedy Space Center**  
Kennedy Space Center, FL 32899



MAY 13 1998

Reply to Attn of: JJ-1

TO: HM-D/KSC Audit Liaison Representative  
FROM: JJ/Director, Biomedical Office  
SUBJECT: Modification of the Biomedical Office's Response  
to the Draft Report on OIG Audit of KSC's  
Recycling Efforts, Assignment Number A-HA-97-004  
(Recycling)

This office responded to your original request for comments on the subject document on April 17, 1998. Based on a meeting held on May 7, 1998, between the Office of the Inspector General, your office, and several KSC organizations, the enclosed modification of our original response is submitted for your review.

Any questions on this matter should be addressed to Burton Summerfield at 867-2964.

*Irene D. Long, M.D.*  
Irene D. Long, M.D.

Enclosure

cc:  
AA/Mr. Bridges  
AA-A/Mr. Jennings  
AA-C/Mr. Shriver  
FF/Mr. Jones  
HM/Ms. Roberts  
LO/Mr. Payne

**Recommendation 1 - KSC implement the policies and procedures concerning recycling activities to permit continuity of operations at all times, including times of personnel transition.**

Concur

The Environmental Program Office (EPO) finalized the recycling objective, KSC-EPG-ES-0046, on 10/20/97 and it is posted on the EPO web page at <http://www-jj.ksc.nasa.gov/jj-d/policies/bmp.htm>. This objective includes the definition of what a recyclable material is as defined by KSC legal. Review of the Affirmative Procurement Plans will be carried out as part of the KSC internal audit. This will ensure continuity of operations at all times, including times of personnel transition.

In addition, all of the contractors have provided a list of recycling initiatives they are conducting along with schedules and cost and will be published on the web and maintained by EPO. Also, Logistics Operations (LO) have been identified as the point of contact by letter, March 1998, to collect, review and prepare the Resource Conservation and Recovery Act (RCRA) 6002 report to ensure consistency.

**Recommendation 2 - KSC ensure Center goals and objectives for the recycling program are consistent with the Presidential directive, and are clearly communicated to all Center employees and contractor personnel, including training and awareness programs.**

Concur

The information concerning the objective for recycling is currently provided on the web (see recommendation 1). The goal developed for recycling is consistent with the Presidential directive. The Pollution Prevention (P2) working group will review and update the existing goal and ensure that it is communicated to the employees of the Center. This action will be complete within four months. Awareness activities will continue to include bulletin announcements, Center mailings, posters, etc. The EPO has developed an environmental calendar that lists all reports, meetings, actions, and inspections that will take place during the coming year. Web site <http://www-jj.ksc.nasa.gov/jj-d/calendar/calendar.htm>. Training is currently accomplished by instructing employees on proper material and waste management techniques.

## APPENDIX A

**Recommendation 3 - KSC will designate a single program office to be accountable for recycling revenues from "cradle to grave".**

Concur

The EPO is the responsible office for ensuring that recycling revenues are tracked. The EPO, in conjunction with LO, Chief Financial Officer (CFO), and Installation Operations (FF), will establish a procedure with clear responsibilities for tracking revenue from "cradle to grave" within six months.

**Recommendation 4 - KSC will define what constitutes a recyclable sale and implement procedures to insure that General Service Administration (GSA) complies with the definition.**

Concur

The definition of a recyclable sale item has already been defined and what should be considered reimbursable under PL 103. This definition has been sent to the legal staff of the GSA in Atlanta. There were no comments received in response to this submittal, and this office is operating with the understanding that GSA agrees with our definition. We have revised our procedures to designate property, by coding them as they are received at the excessing facility, that meets the PL 103 requirements of "reimbursable if sold". This will improve the reconciliation procedure.

**Recommendation 5 - KSC will improve procedures to ensure that the collection and recording of recycling sale proceeds are timely, complete and accurate.**

Concur (Refer to recommendation number three)

**Recommendation 6 - KSC will compare the benefits of retaining the recycling sales function in-house, to bringing in a third party.**

Concur

KSC will evaluate the benefits of retaining the activities in-house or having a third party conduct the sales function. It is estimated that this action will take six months.

## APPENDIX A

The recycling of paper and aluminum cans is already conducted in-house. The use of GSA for paper recycling stopped on April 28, 1998. GSA was never involved in the recycling of the aluminum cans.

**Recommendation 7 - KSC will take immediate steps to collect \$127,809 in scrap metal proceeds currently being retained by GSA.**

Concur

The sale items in question will be identified by the EPO to the CFO. The EPO will ask the CFO to request that GSA provide the proceeds from the past sales, including those from paper and tire sales. This action will be completed in four months.

**Recommendation 8 - KSC will investigate why \$13,622 in paper and tire proceeds were never transferred by GSA to the KSC recycling account.**

Concur (see recommendation number 7)

An analysis of the documentation revealed that on numerous occasions, the proceeds generated from the sale of the recyclable paper were used to reimburse East Coast Paper Stocks (ECPS) for the purchase of equipment necessary to conduct the Paper Recycling Program at KSC.

**Recommendation 9 - KSC will recover \$35,961 mistakenly posted to the miscellaneous receipts account.**

This item is complete. The amount in question was posted to the recycling account.

**Recommendation 10 - KSC will reconcile the recycling account against supporting documentation, on an annual basis, at minimum.**

Concur

The EPO will coordinate the actions needed to reconcile the account quarterly, with the LO, FF and GG organizations. This action will take three months.

**OPINION OF KSC ASSOCIATE COUNSEL**

National Aeronautics and  
Space Administration  
**John F. Kennedy Space Center**  
Kennedy Space Center, FL 32899



Reply to Attn of: AF-A

July 28, 1997

**TO:** LO-SOD-3/Chris Brown  
W/KSC-OIG/M. Phillips

**FROM:** CC-P/R. Hanash

**SUBJECT:** Proceeds from the Sale of Recovered Materials

You requested information regarding the sale of recovered materials and the proper disposition of the proceeds from such sales. As discussed below, recovered and/or recycled materials owned by the Government fall within the broad category of surplus personal property. Section 608 of P.L. No. 103-329, which authorizes Federal agencies to retain the proceeds from the sale of recovered materials, does not identify a method to distinguish recovered materials from surplus personal property. This is an important distinction because proceeds from the sale of surplus property must be deposited into the miscellaneous receipts account of the U.S. Treasury instead of being returned to the agency.

The Federal Property Management Regulation's (FPMR's) definitions for "scrap" and "salvage" provide a reasonable basis to differentiate recovered materials from surplus personal property. The terms apply to any item that has no value other than for its basic material content, or some value but no reasonable prospect for use without significant repair or rehabilitation. This reading is consistent with the definition of recovered material under RCRA, *i.e.*, any item or material which could be discarded, but instead, is recovered or otherwise diverted from the solid waste stream. When such materials are sold, Public Law No. 103-329 authorizes Federal agencies to retain those funds. However, if the sale is conducted by GSA, another Federal law authorizes GSA to recover its costs. To avoid this charge, 41 C.F.R. § 101-45.103-1 authorizes NASA to conduct its own sales.

Discussion:

With regard to your question concerning what constitutes a "recovered material," the Federal Property Management Regulations (FPMR) define all property of the United States, with the exception of real property, government records, and certain naval vessels, to be "personal property." There is no special distinction for recovered materials. There are, however, special classifications for items based on their measure of utility or value. Specifically, 41 C.F.R. § 101.43-001.29 defines "scrap" as "personal property that has no value except for its basic material content," and 41 C.F.R. § 101.43-001.28 defines "salvage" as "personal property having value

greater than its basic material content but which is in such condition that it has no reasonable prospect of use for any purpose as a unit (either by the holding or other Federal agency), and its repair or rehabilitation for use as a unit is clearly impracticable." Repair or rehabilitation is impracticable if the estimated costs for either will exceed sixty-five (65%) of the cost for acquisition of a replacement.

The FPMR provisions that distinguish scrap and salvage from other surplus personal property suggest a reasonable basis for NASA to conclude that such items also meet the definition of a recovered material. I am not aware of a GSA policy or guidelines that addresses this issue. However, I believe the FPMR authorizes agencies to exercise discretion to make such a determination.

With regard to your question concerning the proper disposition of proceeds, the FPMR provides that when surplus personal property is sold, net proceeds must be deposited into the miscellaneous receipts account of the U.S. Treasury, unless a statutory exemption provides otherwise. One such exemption authorizes GSA to retain amounts necessary to recover, to the extent practicable, costs incurred by GSA in connection with the sale of surplus personal property. *Public Law No. 103-123, § 7*. The second exemption is *P.L. No. 103-329*, which authorizes Federal agencies to "receive and use funds resulting from the sale of materials recovered through recycling or waste prevention programs."

Paragraph 5(c) of GSA Bulletin No. FPMR H-66 indicates that GSA will retain a substantial portion of the proceeds from the sale of "non-reimbursable" surplus property to cover its direct and indirect costs. The rationale for the retention policy is that the low dollar value and labor intensive nature of surplus property sales barely produces enough for GSA to recover its costs. GSA's policy is also based on the rationale that the agencies would not be affected by the retention policy because net proceeds from any such sale would be deposited to the U.S. Treasury. I am not aware of any GSA policy or guidelines that establish an exception to this provision for the sale of recovered materials. The FPMR provisions that address "non-reimbursable" versus "reimbursable" surplus property do not address this issue. Since GSA is no longer an appropriated fund activity, its rates are likely to apply to any non-exempt services it performs. To avoid this result, NASA may elect to conduct its own sale, or negotiate retention rates with GSA that are more amenable to the agency.

With respect to your memorandum, dated February 27, 1997, regarding Government Property Sale K97074, KSC Reimbursable Summary, the criteria you establish as the basis for your classification determinations is consistent with the FPMR, RCRA and section 608 of Public Law No. 103-329, with one exception. Your first criteria, *i.e.*, "property no longer supports the function for which it was manufactured," should be amended to read as follows:

1. Property no longer supports the function for which it was manufactured and repair or rehabilitation is impracticable.

Items number 2, 3 and 4 are consistent with the FMPR's regulatory provisions.

Please feel free to contact me if you require further assistance.



Rami S. Hanash  
Associate Counsel

cc:  
JJ/B. Summerfield  
JJ-D/Harold Williams  
FF-V/Sue Dickinson



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## APPENDIX C

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### **Congressional Member**

Honorable Pete Sessions, U.S. House of Representatives

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# TABLE OF CONTENTS

EXECUTIVE SUMMARY

INTRODUCTION .....**ERROR! BOOKMARK NOT DEFINED.**

OBJECTIVES, SCOPE, AND METHODOLOGY ..... 3

FINDINGS AND RECOMMENDATIONS ..... 4

    KSC IS COLLECTING AND REPORTING INACCURATE RECYCLING DATA..... 4

    REVENUE COLLECTION NEEDS IMPROVEMENT..... 9

APPENDIX A - MANAGEMENT'S RESPONSE ..... 16

APPENDIX B - OPINION OF KSC ASSOCIATE COUNSEL..... 20

APPENDIX C - REPORT DISTRIBUTION..... 23

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## **ACRONYMS**

EPA	Environmental Protection Agency
EPO	Environmental Program Office
FY	Fiscal Year
GSA	General Services Administration
HQ	Headquarters
JPL	Jet Propulsion Laboratory
KSC	Kennedy Space Center
LeRC	Lewis Research Center
NASA	National Aeronautics and Space Administration
OIG	Office of Inspector General
RCRA	Resource Conservation and Recovery Act