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INSPECTOR GENERAL

Audit Report

Audit of Property Management

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WASHINGTON, D.C. 20436

November 27, 1991

AUDIT OF PROPERTY MANAGEMENT

The Budget and Accounting Procedures Act of 1950 states that agencies must establish and maintain systems of accounting and reporting that provide for effective control over property and other assets. An audit of the Commission's property management was scheduled in accordance with Federal regulations followed by the Commission that detailed evaluations of agency financial systems shall be conducted on a cyclical basis. The objectives of this audit were to evaluate property management policy and procedures to identify any areas of non-compliance, improvements to internal controls, or increased efficiency.

The efficient operation of the property management system is a joint responsibility of the Director, Office of Management Services (OMS), who has been designated as the Commission's Property Management Officer (PMO), and the office directors who are the Accountable Officers (AOs). The PMO is responsible for providing overall supervision and technical direction of the property management system. The AOs or their designees are responsible for the recordkeeping and reporting on all government-owned personal property in their accountable areas and carrying out the Commission's property management policy and procedures. The property management policy and procedures set forth in USITC Directive 3550 generally provide adequate guidance. However, the implementation of the policy and procedures was lacking to such an extent that the auditors could not conclude that information regarding all items in the property management system is appropriately recorded and that all property is accounted for.

This audit was conducted by Cotton & Company in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. The results of their review are presented as an attachment to this report. The auditors found two conditions in the system of internal accounting control over property management that they considered to be material weaknesses in accordance with AICPA standards.

The findings of material weaknesses were:

1. A large amount of property is recorded on the master property list with location codes that do not represent actual physical locations. OMS assigns these location codes when the PMO and AO disagree about the location of an item of property. The accountability trail for these items has been broken and their exact locations are unknown.

2. Property pass procedures are not always followed. Some property passes did not identify to whom the pass was issued and others were not signed by authorized individuals. Furthermore, the security guards at the main entrance to the Commission do not always inspect packages or request to see property passes.

In addition to the above weaknesses, the auditors identified numerous other conditions in the inventory process (pages 6 - 7), property transfer and disposal (pages 7 - 9), and general property management (pages 9 - 11), that require management's attention.

We recommend that the Director, Office of Administration implement the report recommendations, giving priority to the actions needed to correct the material weaknesses identified by Cotton & Company. Recommendations regarding the findings of material internal control weaknesses, presented on page 11 of the report, are:

- The PMO should verify the existence and exact location of all property on the master property list, update the list, and ensure accountability is established. The PMO should ensure that AOs are knowledgeable of procedures and should establish a schedule for timely entry of all property-related transactions into the property management system.

- The Chief, Operations Branch, OMS should ensure that all personnel authorized to sign property passes are aware of how to properly complete the pass and that guards are following established procedures.

Recommendations regarding the matters described in the Other Conditions section are presented on pages 14 - 16 of the report.

Since the draft report was issued, the PMO has made a considerable effort to conduct an inventory and improve the property management system. These efforts have further evidenced the need to develop clear policies on the classification and control of property particularly in regard to computer equipment, supplies, low value

items and personal charges. The effort required to locate all of the items on the master property list may exceed the value, in which case a decision will have to be made on which items will be deleted even though their locations were not verified.

Greater recognition and acceptance of responsibility on the part of the AOs is going to be mandatory before the property system will operate effectively and efficiently. The PMO stated that the lists of items without specific locations resulted because items were moved and no records maintained of the transfers. Apparently this practice continues as five items verified by the PMO could not be found less than 30 days later when we sampled ten items from the master property list during our follow up to the audit response. We believe this problem has become so severe because AOs have been allowed to delete missing property from their lists without locating the item. Once an inventory is completed, the AOs should assume full responsibility and accountability for property assigned to them.

Although the property management system has serious internal control weaknesses, we do not believe they constitute a material weakness as defined by the Federal Managers' Financial Integrity Act. This opinion is consistent with the auditors' conclusion that the entire property management system was not inadequate and the clean opinion in the auditors' report on the fiscal years 1989 and 1990 financial statements.

The Director of Administration generally agreed with the findings and recommendations. On pages 12 - 14 and 16 of the attachment, we summarize the Director's comments on the findings and provide our responses. The Director's comments are presented in their entirety as an appendix to the report.

Jane E. Altenhofen
Inspector General

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Appendix - Memorandum from Director, Office of Administration, dated October 16, 1991, on Draft Report

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REPORT ON THE

INTERNAL CONTROL REVIEW OF THE

UNITED STATES INTERNATIONAL TRADE COMMISSION'S

PROPERTY MANAGEMENT SYSTEM

Prepared by:

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June 24, 1991

Ms. Jane E. Altenhofen
Inspector General
United States International Trade Commission
500 E Street, SW
Washington, DC 20436

Dear Ms. Altenhofen:

We reviewed internal controls over the United States International Trade Commission's (ITC) property management system. This review was limited to controls pertaining to:

- Receipt of property.
- Control and safeguarding of property.
- Physical inventory of property.
- Reconciliation to and adjustment of property records.
- Retirement and disposal of property.
- Compliance with applicable laws, regulations and rules.

Our review was performed in accordance with guidelines and standards established by the American Institute of Certified Public Accountants, Office of Management and Budget, and the U.S. General Accounting Office. Our review was more limited than would be necessary to express an opinion on ITC's system of internal control taken as a whole.

ITC's management is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions and program management activities are executed in accordance with management's authorization and, where appropriate, recorded properly to permit the preparation of financial reports in accordance with generally accepted accounting principles and agency policies and procedures.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate as a result of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The specific control objectives associated with the ITC property management system are as follows:

- Property management policies and procedures should be in accordance with existing laws, regulations, and rules.
- Property management policies and procedures are established and maintained to provide for appropriate accounting and control of property.
- Property records should be accurately and promptly maintained and periodically substantiated.
- Physical security safeguards over property should be adequately maintained.

Our review, made for the limited purposes described in the first paragraph of this report, would not necessarily disclose all material weaknesses in ITC's internal control system. Accordingly, we do not express an opinion on ITC's internal control system taken as a whole. Our review, however, disclosed two conditions that, in our opinion, result in more than a relatively low risk that errors or irregularities in amounts that would be material in relation to property management system data may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. These conditions are described in the Findings section of the accompanying report.

Based on our review of the specific property management system control objectives listed above, the system of internal accounting control in effect at June 24, 1991, was sufficient to meet those objectives, except for the effects of the conditions described above. We also identified certain other matters that we think warrant management's attention. These are described in the Other Conditions section of the report.

Generally accepted Government auditing standards require tests of the organization's compliance with applicable laws and regulations. Compliance with laws and regulations applicable to the property management process is the responsibility of ITC's management. In connection with the review referred to above, we performed tests of compliance with certain provisions of the laws and regulations identified in the Methodology section of the accompanying report.

Our test results indicate that, for the items tested, ITC complied in all material respects with the provisions of applicable laws and regulations. Nothing came to our attention that caused us to believe that ITC did not comply with such provisions with respect to the items not tested.

We conducted fieldwork in Washington, DC, from May 29 to June 24, 1991.

We discussed the results of our review with the Director, Office of Administration; the Director, Office of Management Services; the Director, Office of Finance and Budget; the Director, Office of Information Resources Management; and other headquarters personnel responsible for the overall management of the processes we reviewed. Commission comments provided at the meeting to discuss the working draft report have been incorporated into this draft, as appropriate.

The accompanying report is intended solely for ITC's information and use and should not be used for any other purpose.

Very truly yours,

COTTON & COMPANY

By: Kevin P. McFadden
Kevin P. McFadden, CPA

Enclosure

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REPORT ON THE INTERNAL CONTROL REVIEW OF THE UNITED STATES INTERNATIONAL TRADE COMMISSION PROPERTY MANAGEMENT SYSTEM

PART 1: INTRODUCTION

In this part, we discuss the review background, objectives, scope, and methodology.

BACKGROUND

The United States International Trade Commission (ITC) is an independent Federal agency with six commissioners, a staff of about 500, and Fiscal Years (FY) 1990 and 1991 budgets of $38,477,000 and $40,299,000, respectively.

The Budget and Accounting Procedures Act of 1950 states that agencies must establish and maintain systems of accounting and reporting that provide for effective control over property and other assets. Title 2 of the General Accounting Office's (GAO) *Policy and Procedures Manual for Guidance of Federal Agencies* (GAO Title 2, Accounting) requires, among other things, that agency property records must:

- Capture all transactions affecting the agency's investment in property.
- Control physical quantities of Government-owned property and their locations.
- Enable periodic independent verification of accounting record accuracy through periodic physical counts.
- Identify property, plant, and equipment that was capitalized and reported in financial statements and property, plant, and equipment that was not, but was charged as an expense in prior periods and included in the records for control purposes.
- Be integrated with or reconciled with the accounting system.
- Reflect the removal of nondepreciated property, plant, and equipment from the property account when retired and remove an equal amount from the invested capital account.

ITC maintains an automated personal property management system that stores identifying information on each item of owned or leased property valued at greater than $300. Most property is located in the building at 500 E Street, SW, Washington, DC, but some excess property is stored in two buildings at the Navy Yard in Southeast Washington, DC. Furniture, equipment, and leasehold improvements were valued at $9.1 million on the FY 1990 financial statements.

To expedite and control physical inventories, ITC uses barcodes. Each piece of furniture and equipment valued over $300 is tagged with a unique barcode label that identifies the item as ITC property.

OBJECTIVES

We reviewed internal controls over ITC's property management system to identify: (1) noncompliance with applicable laws, regulations, and ITC directives; (2) improvements needed in internal controls; and (3) areas that would benefit from increased efficiency.

The specific objectives for this engagement were to:

- Evaluate property management policies and procedures and compliance with laws, regulations, and policy.
- Determine the thoroughness of the inventory process including reconciliation with the accounting records, as applicable.
- Determine the accuracy of a sample of items contained in the inventory.
- Evaluate physical security safeguards.
- Review the process for retiring and disposing of assets.
- Evaluate the adequacy of actions taken on prior report findings.

SCOPE

We conducted our review at ITC headquarters in Washington, DC, between May 29 and June 24, 1991. The review focused on the property management system in place as of June 24, 1991, and included tests of transactions occurring during FYs 1990 and 1991.

We met with the Property Management Officer (PMO) and representatives of the Office of Management Services (OMS) regarding:

- Duties and responsibilities of the PMO and accountable officers (AOs).
- Receipt and distribution of property.
- Records of property.
- Physical inventory of property and reconciliation to property records.
- Investigation and accountability of missing property.
- Transfer and disposal of excess property.

- Physical security.

We interviewed selected AOs, alternates, and custodians to determine if they are properly carrying out their responsibilities for safeguarding, inventorying, transferring, and disposing of property.

We also met with building security personnel to determine their understanding of their responsibilities for ensuring that property removed from the premises is done so only with proper authorization.

METHODOLOGY

We gathered data for our review using structured interviews; physical inspection of property items; an internal control questionnaire; and sample tests and analyses of property inventory records, receiving reports, property passes, property disposal and transfer documents, and other documents and reports identified as relevant to the property management system. We also toured off-site property storage locations.

The major guidelines and operating regulations we used to determine the adequacy of internal controls and procedures and to assess the degree of ITC's compliance with the relevant requirements were:

- Regulation 41 CFR 101, Federal Property Management Regulation.
- GAO's *Standards for Internal Controls in the Federal Government* (1983).
- ITC Policy Directive 3550, *Property Management: Policies and Procedures*.
- *ITC Administrative Services Procedures Manual*.
- GAO's *Policy and Procedures Manual for Guidance of Federal Agencies* (GAO Title 2, Accounting).

This review was conducted in accordance with the Comptroller General's *Government Auditing Standards* (1988 revision).

REPORT ON THE INTERNAL CONTROL REVIEW OF THE
UNITED STATES INTERNATIONAL TRADE COMMISSION
PROPERTY MANAGEMENT SYSTEM

PART 2: REVIEW RESULTS

FINDINGS

We noted certain conditions in the system of internal accounting control over property management that we consider material weaknesses. A weakness in internal accounting control is a condition in which the specific control procedure, or the degree of compliance with the procedure, is not sufficient to achieve a specific control objective; that is, errors or irregularities may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. A weakness is material if the condition results in more than relatively low risk of such errors or irregularities in amounts that would be material in relation to property management data. These two material weaknesses are discussed in the following sections.

Inventory Process

The objectives of an inventory process and the condition we noted are discussed below.

Objectives: The objectives of the inventory process are to ensure that the location and condition of all property are known, that property management records are accurate, and that accountability for each item is established. The condition described here could result in inaccuracies in property management system data or the loss or misappropriation of property.

Condition: A large amount of property is recorded on the master property list (MPL) with a location code of either "222" or "store". These designations do not represent actual physical locations. Rather, OMS assigns one of these locations when the PMO and AOs disagree about the location of an item of property. These situations occur when property transfers take place and the required Forms 110, Property Action Form, used to record the transfer of property, are not completed.

As a result, the "accountability trail" for these items is broken, and their exact locations are unknown. Some of the equipment on the MPL has been so listed for over 2 years. A Form 110 is not always prepared when property transfers occur, and those that are prepared are not always entered into the property management system in a timely manner.

ITC Directive 3550, Section 12, requires AOs to complete an ITC Form 110 whenever the office has property for which it no longer has use. In addition, the ITC *Administrative Services Procedures Handbook* states that: "Each time an item of personal property is moved from one office to another an ITC Form 110-Property Action Form must be completed and forwarded to the Administrative Services Division."

The "222" items represent 42 computer pages of equipment such as Wang ADP equipment, monitors, keyboards, CPUs, and other office equipment. If the Wang equipment, keyboards, and monitors are excluded from the property management system because of disposal or a change in property management criteria, the list would still contain numerous high-value ADP-type items.

We determined that, in addition to Wang equipment, the property management system includes the following:

Item and Number	Maximum Value/Unit
106 personal computers (PCs)	$4,917
11 laptop PCs	2,839
13 laser printers	5,893
30 matrix printers	8,579

We also identified 13 "ADP miscellaneous items" with a maximum value of $107,885.

Further, the "store" list totals over $1.1 million and contains such items as systems furniture, tables, chairs, typewriters, and audio-visual equipment.

Because of the use of location codes "222" and "store", we had difficulty locating 17 of the 50 items we selected from the MPL for testing. It was only with a significant effort and the assistance of OMS that we were able to locate these items. Adequate control and accountability cannot be exercised over this equipment if it cannot be readily located.

GAO's *Standards for Internal Controls in the Federal Government* and GAO Title 2 require documentation of transactions and other significant events be complete and accurate, facilitate tracing the transaction, and permit independent physical verification. AOs should not be permitted to transfer property (and the related accountability) without completing a Form 110. AOs should be held accountable, as the last custodian of record, for all transfers made without completing the required Form 110.

As a result of the weaknesses in the inventory process and the Form 110 system, which impacts the process, the property management system is not totally accurate and is not always effective in locating property. This was also a finding in a February 1987 GAO report.

Property Pass System

The objective of a property pass system and the condition we noted are discussed below.

Objective: The objective of the property pass system is to authorize removal of controlled Government property from the ITC building or removal of privately-owned property used for official business in the ITC building. The condition described below could result in the loss or misappropriation of ITC property.

Condition: Property pass (Optional Form 7) procedures are not always followed. We reviewed 73 property passes issued during April and May 1991. Of these, 44 (all issued by one office) did not identify to whom the pass was issued and 3 (from other offices) were not signed by authorized individuals. Furthermore, the security guards at the main entrance to ITC headquarters do not always inspect packages or request to see property passes.

Failure to follow property pass procedures could result in the removal of ITC property by unauthorized individuals, resulting in property misappropriation. Persons removing property from the ITC headquarters are required to have a valid property pass before removing Government-owned or personal property from the building (ITC Security Guard--Guard Post Assignment Record).

The ITC *Administrative Services Procedures Handbook*, page 26, designates personnel authorized to sign property passes. A security shift supervisor stated that guards are required to inspect passes to ensure the (1) serial number on the property agrees with that on the pass, (2) name on the pass agrees with identification presented by the individual and, (3) signature on the pass matches an authorized signature. These procedures are not always followed.

Management personnel stated that the 44 property passes referred to above were for witness-owned property. They do not view this weakness as material. It is our view, however, that the proper safeguards are not being followed, regardless of the ownership of the property, and the situation could result in the misappropriation of ITC property.

OTHER CONDITIONS

We noted certain other conditions that represent weaknesses in ITC's system of internal accounting control that we think warrant management's attention. These are discussed in the following sections.

Inventory Process

Two inventory conditions that represent weaknesses in the inventory process system are described below.

1. The PMO does not retain a final list of the property for which each AO is accountable, although he does retain interim listings. Following the 1991 physical inventory, the PMO provided the AO a listing of property. After the AO inventoried the property, the AO was to be accountable for the property. The list was transmitted by a cover letter that was to be signed by the AO and returned to the PMO. The AO was to retain the final listing representing the property for which he or she is responsible. The PMO, however, did not retain a copy of the final property listing for which the AO accepted responsibility. GAO's *Standards for Internal Controls in the Federal Government* require all transactions and other significant events to be clearly documented. In its April 1989 report, Arthur Andersen & Company also noted that OMS did not keep signed copies of property listings on file.

2. The PMO did not conduct the required annual inventory in 1990. Paragraph 6a, ITC Directive 3550, requires the PMO and AOs to conduct separate annual physical inventories. Failure to do so allows errors in the property management database to go undetected. For example, in our review of the 1991 inventory process, we could not trace to the MPL the barcodes of 2 of 5 typewriters in storage. Inventory items should not normally be removed from the MPL until they leave ITC's control. Also, the barcode should only be removed at the time the status of the item is changed, such as a reduction in the threshold for controlling property items and when the item leaves ITC control.

   In addition, we could not trace to the MPL 3 of 8 pieces of Wang ADP equipment. GAO Title 2 requires that agency property records enable periodic independent verification of the accounting records' accuracy through periodic physical inspection. Failure to maintain records of property allows the opportunity for misappropriation. In a prior report, Arthur Andersen & Company also noted that property was on hand, but not reflected in the property records.

   The 1991 inventory process was initiated in February 1991 and was not complete as of our fieldwork completion--June 24, 1991. One storage location, which OMS management stated contains inactive property only, had not been inventoried; 7 of 35 AOs had not finalized their property listings; and the location of certain equipment had not been resolved. For the unlocated items, the record was changed to move the items from the AO list to one of two listings ("222" or "store") used for property for which the location is in question or property that is being held for disposal or reissue.

   As a result of this practice, which also existed during the 1989 inventory, ITC has not verified the existence of all its property, determined the accuracy of all its property management records, or fixed responsibility for all property. Because the ITC Form 110 process is not effective (as noted in the Findings section), and the inventory process has continued for over 4 months, property may have since been relocated, causing further inaccuracies to occur. ITC Directive 3550, Section 6a, requires the PMO and AOs to conduct separate annual inventories. It does not, however, establish a timeframe for completing them. Inefficient and inaccurate inventories may occur as a result of this protracted inventory process.

Property Transfer and Disposal Process

The objective of the property transfer and disposal process is to identify unused property and make it available to other authorized users, thus avoiding unneeded expenditures of Federal funds. Controls over the ITC property transfer and disposal process can be improved in the following areas:

1. ITC does not identify and report excess property to GSA in a timely manner. For example:

- An SF 126, Report of Personal Property for Sale, reporting excess equipment totaling $88,893 was submitted to the General Services Administration (GSA) in April 1991, even though it consisted mostly of Wang ADP equipment that had not been used for approximately 2 years.

- No report has been submitted to GSA to report as excess the contents of one entire storage location containing electronic office equipment (including additional Wang ADP equipment not used for approximately 2 years).

Agencies should continuously survey property and promptly make excess property available for transfer (41 CFR 101-43.101 and 102(b)). Failure to do so complicates ITC property management functions, increases storage requirements and costs, restricts the use of Government funds, and increases the likelihood of property being lost or misappropriated.

2. Not all AOs follow established procedures for returning unneeded equipment. They do not always prepare an ITC Form 110 and often directly contact the contract movers to have property removed from their offices. Established procedures call for the AO to prepare an ITC Form 110 and notify the PMO. After the PMO inspects the equipment, the PMO should arrange for the property to be moved (paragraph 12, ITC Directive 3550). Without proper completion of the ITC Form 110 and notification of the PMO, the property records are not updated, the AO is not relieved of accountability, and the corresponding accountability is not transferred to the PMO or to another AO.

3. For FYs 1989 and 1990, the PMO did not submit the SF 121, Annual Report of Utilization and Disposition of Excess and Surplus Personal Property, to GSA within the required timeframe. The Federal Property Management Regulation [41 CFR 101-43.4701(a)] requires submission of the SF 121 within 60 days of the end of the fiscal year. The PMO submitted ITC's SF 121 for FY 1989 two months late and, as of June 24, 1991, had not submitted the FY 1990 report, which was due November 29, 1990. When reports are not submitted on time, GSA does not have complete information on use and disposition of excess and surplus property.

4. The PMO does not maintain proper records of property transfers and disposals external to ITC. PMO approval of excess property reports submitted to GSA was not evident nor was a record of property taken to a disposal facility always documented. We could not determine that actions related to excess property were properly authorized nor could we determine what property was taken to the disposal facility or by whom or when. GAO's *Standards for Internal Controls in the Federal Government* require all transactions to be clearly documented.

5. The barcode is removed from excess property in the storage building at the time the report to GSA of excess property is made, rather than when the property is actually disposed of or transferred. Premature removal of the barcode leaves the property unidentified for periods of up to several months. This increases the possibility that the property will be

misappropriated, leaves the property without identification as U.S. Government property, and eliminates the barcode as an effective control technique. One of the key standards in GAO's *Standards for Internal Controls in the Federal Government* is that internal control techniques are to be effective and efficient in accomplishing their internal control objectives.

General Property Management

1. Four of five AOs or alternates stated they had not received training in the responsibilities related to the AO position. The need for effective training in property management procedures for the AOs, their delegatees, and custodians appears to be a major cause for some of the problems noted in our review. GAO's *Standards for Internal Controls in the Federal Government* requires personnel to be given the necessary formal and on-the-job training to make them competent for the duties to which they are assigned.

2. One OMS support services specialist has the responsibility for virtually the entire property transfer/disposal process. This specialist is a member of the team that conducts inventories, has physical control over the storage location, prepares and occasionally approves for ITC the turn-in paperwork submitted to GSA, removes the barcodes, and takes the property to the disposal facility.

   In Arthur Andersen & Company's 1989 report, it was also noted that the specialist was approving excess-property forms sent to GSA.

   Another specialist oversees the inventory process and can add or delete property or modify property records without additional authorization. Both of these conditions provide the opportunity for property to be misappropriated. GAO's *Standards for Internal Controls in the Federal Government* specifies that key duties and responsibilities in authorizing, processing, recording, and reviewing transactions should be separated among individuals.

3. AOs or custodians are not maintaining required records of personal charge property. ITC Directive 3550, Section 4c(2), requires custodians to keep personal charge property records. Section 6b(2)(a) requires the AOs or custodians to forward these records to the PMO annually. Personal charge property is defined in the directive as including, but not limited to: computer software, hand-held calculators, tape recorders, briefcases, portable typewriters, and portable dictating equipment. Without maintaining records on personal charge property, control cannot be maintained, and the property is susceptible to misappropriation.

4. The Office of Finance and Budget's (OFB) written capitalization criteria requires all items of a group purchase exceeding $5,000 be capitalized. A strict following of this policy would cause an excessive number of items to be capitalized and accounted for in the property management system. A more appropriate policy would be to require capitalization of these items for large-quantity purchases only, where current costs in a

given period would be distorted if the costs were charged to expense. This interpretation is consistent with the provision of GAO's Title 2. OFB personnel stated that they agree with this interpretation and have been applying it in practice. OFB's written policy should be revised, however, to conform to GAO's Title 2 and to prevent the improper treatment of future property acquisitions.

5. Based on our observations, designated AOs are at too high a level in the management structure to permit them to devote the needed time and attention to property management. ITC Directive 3550, Section 4a, states that office directors are responsible for serving as AOs or delegating their duties and authorities to others. Delegation of the duties and authorities for this activity to a lesser organizational level should allow for the appropriate level of attention necessary to have an effective property management system and still have the responsibility for the activity remain at the appropriate organization level.

6. The location level at which the property management system tracks personal property is too specific. The location of property is reflected at the employee or desk location where it is used, rather than at the AO-location level. This necessitates the submission of an ITC Form 110 each time a piece of equipment is moved--even if it is within the same AO's area of control.

7. The MPL contains many items for which we believe the inherent risk of loss, considering the size and nature of the items, is relatively low. ITC has established a $300 threshold for placing property items into its property management system. If the threshold were increased and specific categories were excluded (such as PC keyboards, file cabinets, desks, and partitions), a substantial reduction would occur in the number of items tracked, and the inventory would be more manageable. ITC established the $300 threshold after Arthur Andersen's April 1989 report, in which it was noted that ITC's property management system had too many small-dollar value items. We think the threshold could be further raised and certain types of assets could be otherwise designated as not requiring property management system control. (GAO's Title 2 capitalization criteria, however, must be considered if changes are made. Low risk items valued at $5,000 or more must still be accounted for in a manner that permits inclusion in the financial statements and provides for periodic independent physical inspection.)

8. Non-ITC personnel (contract movers) have access to property storage areas without ITC personnel being present. On occasion, the contract movers are provided a key to the storage areas to deliver equipment from the ITC headquarters building to the storage facility. This procedure allows non-ITC personnel access to property for which they are neither accountable nor have custodial responsibility, and provides the opportunity for the property to be improperly removed or left unsecured. Our concern over this situation is increased because of the improvements required in the Form 110 process; the large amount of property for which the exact location is unknown and is reflected in the "222" or "store" listings; and the absence of an inventory for one storage location. GAO's *Stan-*

dards for Internal Controls in the Federal Government state that access to resources is to be limited to authorized individuals and that accountability for the custody and use of resources is to be maintained.

CONCLUSIONS

Our conclusions follow.

Inventory Process

As a result of the number and types of weaknesses we observed (listed in the Findings and Other Conditions sections), we cannot conclude that information regarding all items in the property management system is appropriately recorded and that all property is accounted for.

Property Transfer and Disposal Process

The property transfer and disposal process appears adequate except for the five weaknesses noted in the Other Conditions section. ITC has not disposed of excess property in a timely manner; AOs do not follow established procedures for turning in excess property; ITC has not complied with the requirement to submit an SF 121 within 60 days of the end of each fiscal year; proper records of disposals and transfers are not maintained; and barcodes are prematurely removed from excess property.

General Property Management

Certain internal controls must be strengthened to ensure proper control and accountability over ITC property is established and maintained. During our review, we noted no instances of missing property. We are not confident, however, that ITC management can readily locate all property in its property management system.

RECOMMENDATIONS REGARDING FINDINGS

Our recommendations to strengthen ITC's internal controls related to the Findings section are presented below. These recommendations parallel the findings in Part 2.

Inventory Process

The PMO should verify the existence and exact location of all property on the MPL with locations shown as "222" or "store", update the MPL, and ensure accountability is established. The PMO should ensure that AOs are knowledgeable of ITC Form 110 requirements and should establish a schedule for timely entry of all Form 110 actions into the property management system.

Property Pass System

The Chief, Operations Branch, should ensure that all personnel authorized to sign property passes are aware of how to properly complete the pass and that guards are following established procedures.

COMMISSION COMMENTS

The Office of Administration responded in writing to our recommendations (see the appendix). It agreed with our recommendations and provided comments on the actions taken and those that are planned. Because of the materiality of the weaknesses related to the inventory process, we reviewed with the Director, OMS (who is also the PMO), the corrective actions enumerated in the Office's response. We also verified and validated, on a sample basis, the corrective actions taken.

Inventory Process

Our efforts concentrated on the Office's response to our recommendation that the PMO should verify the existence and exact location of all property on the MPL with locations shown as "222" or "store". The Office stated that the PMO has addressed the status or existence and exact location of all the above described property and has personally conducted a reinventory. The Office lists 17 "determinations" that the PMO made related to his efforts on the above recommendation. The following represents our observations on certain of these "determinations".

- The Office stated that all computer and laser printer locations have been verified. We selected five personal computers and five laser printers to determine their locations as a result of the PMO's verification. We could not locate two of the personal computers and three of the laser printers. The PMO informed us that one of the personal computers may have been traded in, and he would look for the paperwork. We have not been provided this paperwork or been informed of the status of the personal computers or laser printers.

- The Office stated that all dot matrix printers are personal charge or supply items. Personal charge items are personal property loaned to a specific individual, who must be identified, for the purpose of conducting official business. The PMO informed us that he verified the existence of a "substantial" number of the dot-matrix printers, but he could not define the number verified. For those he did not verify, he changed the location to DM (for dot-matrix printers) and assigned them to OIRM. The assignment to a DM account for the dot-matrix printers not identified results in the continuation of the same situation we observed in our review--property items not identified with an AO were assigned to either a "222" or "store" account, which do not represent actual physical locations.

- The Office stated that all WANG equipment locations have been verified. The PMO informed us that he only sampled the WANG equipment in the "222" and "store" accounts, and that he did not barcode or inventory all of the equipment because of manpower limitations.

- The Office stated that all file cabinets and chairs have either been verified or deleted because they have a value under $300. The Office also stated that timeclocks, bookcases, credenzas, desks, printer stands, and tables in the "222" and "store" accounts had either been determined to be supply items or have values less than $300. The PMO informed us that if any item's cost was less than $300, he changed the location of the items from "222" or "store" to an account titled "less than $300."

  We agree that items with values less than $300 could be deleted from the property management system. However, our intent was that these items first be located before merely having their accountability changed to the "less than $300" account. Otherwise, they will simply be removed from all accountability by the PMO. This action appears to be inconsistent with the intent of the requirements of Section 7 of ITC Directive 3550, which requires the PMO to conduct a preliminary investigation to determine if missing property may have been stolen. If so, he is to notify the Board of Survey in writing, requesting approval to delete it from the official property records. It is our opinion that based on the intent of the ITC directive, the PMO should inform the Board of Survey of the actions he plans to take to remove this property from the records and the circumstances justifying its removal.

- The Office stated that the old IBM Selectric typewriters' locations have been verified and were determined to be supply or personal charge items. The PMO informed us that he only checked a sample of typewriters and could not conclude that the item locations on the MPL are totally accurate.

- The Office stated that the PMO, with the assistance of IRM, declared keyboards, monitors, and modems as supply items. (The PMO informed us that by supply items he means expendable items.) The PMO changed the locations of these items from "222" or "store" to "modem," "keyboard," or "monitor" accounts. There is no indication that any attempt was made to inventory these items. While we agree with the concept of expendable items in certain situations, we are concerned about the advisability of writing-off items such as timeclocks and modems without any attempt to determine if these sensitive items have been misappropriated.

In conclusion, even though the Office agreed with our recommendations regarding the inventory process, and stated that an inventory has been conducted and the status or existence and exact location of all "222" and "store" property have been addressed, it appears that the existence of all equipment in the "222" or "store" account was not fully verified. Our opinion is based on the following:

- We sampled ten items from the PMO's inventory and could not locate five of the items.

- The PMO informed us that he did not perform a complete inventory of the property items shown as being in location "222" or "store."

- Certain items in the "222" or "store" accounts were transferred to equally nondefinitive accounts without verifying the existence and location of the items.

- The PMO plans to remove a considerable number of property items, such as bookcases, credenzas, desks, printer stands, and tables, from the records . It appears that this action should require approval at the Board of Survey level and compliance with the intent of ITC Directive 3550.

If the Office's actions for correcting the inventory process weaknesses do not completely address our recommendations, we will not be able to conclude that the property records meet the requirements of Title 2 of GAO's *Policy and Procedures Manual for Guidance of Federal Agencies* (Section P40.13).

RECOMMENDATIONS REGARDING OTHER CONDITIONS

Our recommendations regarding the matters described in the Other Conditions section are presented below. These recommendations parallel the Other Conditions in Part 2.

Inventory Process

1. The PMO should retain a signed copy of the final property listing for which each AO acknowledges responsibility.

2. The Director, OMS, should revise ITC Directive 3550 to require that a joint PMO/AO inventory be conducted annually. This would allow joint agreement on what property actually is in use by the AO and expedite finalizing AO property listings and property accountability.

The PMO needs to reinitiate the inventory process and take other actions related to the property management system. The following steps should be taken in the order indicated:

- Dispose of all excess property and delete it from property records.

- Resolve any items remaining on "store" and "222" property lists.

- Conduct a new physical inventory with a joint PMO/AO team and resolve all existing differences (complete within 30 to 60 days). Consider using a new type of barcode and remove all existing barcodes.

- Review criteria for placing property in the property management system and update ITC directives to reflect decisions reached.

- Delete from the MPL all property not meeting revised criteria.
- Prepare a list of property for which each AO is responsible based on the inventory and any new criteria.
- Have each AO sign the applicable property list. The PMO and AO should retain a copy of this listing.

Property Transfer and Disposal Process

1. The PMO should take aggressive action to identify, report, and dispose of all excess property.

2. The PMO should establish controls over contract movers to ensure no property is moved without PMO concurrence. The AOs should comply with this requirement.

3. The PMO should expeditiously complete and submit the FY 1990 SF 121 and establish written procedures to ensure timely completion of future reports.

4. Written procedures for property transfers and disposals external to ITC should be prepared. They should cover assignment of responsibility for approving GSA excess property reports and document the requirements for property taken to the disposal facility.

5. Written procedures should be established for disposal of ITC property. These procedures should state that barcodes are not to be removed until the property is in the final stage of leaving ITC control.

General Property Management

1. The PMO should provide a property management training program for all AOs, alternates, and custodians. This training should be designed to cover all facets of property management with emphasis on the responsibility that is inherent in these positions. This training should coincide with the action taken on recommendation No. 2 under Inventory Process in the Other Conditions section of this report.

2. Prior approval of the PMO or alternate should be obtained for all documents submitted to GSA to report excess property and for all property items deleted from the property management system.

3. The PMO should reevaluate the requirement for records on personal charge property and, if records are determined to be required, provide more detail to AOs on the type of records to be maintained.

4. The Director, OFB, should revise the written capitalization policy to ensure it is consistent with GAO's Title 2.

5. The Director, Office of Administration, should encourage AOs at top management levels to consider delegating their duties and authority for property management to a staff member at a lower level, as appropriate, to ensure that adequate time and attention are devoted to property management. With this delegation, responsibility for this activity would still remain at the appropriate management level.

6. The OMS property management system should track property only to the AO level, not the room- or individual user-level. Individual AOs should be responsible for knowing the exact location of property under their custody.

7. The PMO should review the types of property and the current $300 threshold for listing property in the property management system to determine if the current policies provide for the efficient accounting and control of property having a low risk of loss. Consideration should be given to raising the current dollar threshold and exempting from property control certain low risk property items.

8. The PMO should ensure that non-ITC personnel are not allowed unescorted access to property storage areas.

COMMISSION COMMENTS

The Office of Administration responded in writing to our recommendations (see the appendix). It agreed completely with all but two recommendations, with which it only partially agreed (Property Transfer and Disposal Process Recommendation No. 2, and General Property Management Recommendation No. 8).

Property Transfer and Disposal Process

Regarding Recommendation No. 2, the Office stated that PMO concurrence is not required when contract movers relocate property within an AO's area of responsibility; PMO concurrence is required only when property passes between AOs or from the PMO and an AO. The Office is in the process of formalizing this action; its target date is February 28, 1992. We concur with the Office's statement.

General Property Management

Regarding Recommendation No. 8, the Office stated that its contract service employees of Dynamic Concepts, Inc., are bonded and cleared for security purposes, which qualifies them for unescorted access to property storage areas. As bonded workers, their unescorted access to property storage areas is appropriate. The Office further stated that all other non-ITC personnel will not be allowed unescorted access. We concur with this action and consider this recommendation resolved.

The Office has initiated improvements in its property management policies and procedures based on our recommendations. When fully implemented, these actions should result in an improved property management program.

AD-O-666

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

October 16, 1991

MEMORANDUM

TO: Inspector General

FROM: Director, Office of Administration

SUBJECT: Draft Report, "Audit of Property Management"

As requested by your memorandum dated August 2, 1991 (IG-O-077), submitted herewith is the Office of Administration's response to the subject draft audit report issued August 1991. In accordance with Section 11 of the USITC Directive 1701, the Commissioners have had an opportunity to comment on the response and the Acting Chairman has approved it (see attached memorandum). In her October 15, 1991, approval the Acting Chairman references a revision of 10/9/91. This refers to the first paragraph on page 7 in which we clarified our reasons for partially agreeing with the recommendation. The attachment to this memorandum contains the version of page 7 the Acting Chairman approved.

The Office of Administration for the most part agrees with the audit recommendations. The attached response includes the actions to be taken and the target completion dates.

Please call me at 205-3131 or Bill Stuchbery at 205-3135 if you have any questions.

Attachments

cc: Director, Office of Finance and Budget
Director, Office of Management Services
Director, Office of Information Resources Management

AD-O-605

UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, DC 20436

September 19, 1991

MEMORANDUM

TO: Acting Chairman Brunsdale

FROM: Director, Office of Administration *Wm. J. Godwick*

SUBJECT: Approval of Administration's Comments of the Inspector General's Draft Audit Report: "Audit of Property Management"

On August 2, 1991, the Inspector General submitted copies of the subject audit to each Commissioner by memorandum (IG-O-076). The IG also requested Administration to review the draft audit report and make comments if necessary. In accordance with Section 11 of USITC Directive #1701, "Audit Policies and Procedures", the Office of Administration has sent its comments in draft to the Commissioners, other than you as Acting Chairman, for review. Commissioners Rohr, Lodwick and Newquist did not have any comments at this time. Confirmation was made with their staff assistants.

The contract auditors found two conditions in the system of control over property management that they considered to be material weaknesses. However, the Inspector General does not believe the conditions constitute a material weakness as defined by the Federal Managers' Financial Integrity Act. During the auditors' review they found no instances of missing property, but observed that certain internal controls must be strengthened to ensure proper control and accountability over property. For the most part the Office of Administration agrees with the Inspector General's recommendations.

In accordance with Section 11 of USITC Directive #1701, submitted herewith are Administration's comments and corrective action plan for your approval before they are sent to the Inspector General and a copy of the draft audit report. Since the IG has set a deadline of **October 2, 1991**, for receiving a final response, it would be appreciated if you could indicate your approval, or modification, by the close of business Friday, **September 27, 1991.**

Approved: ✓ as revised on 10/9/91

Modify as follows: _____

Anne Brunsdale
Acting Chairman

10/15/91
Date

Attachments

cc: Director, Office of Management Services
Director, Office of Finance and Budget
Director, Office of Information Resources Management
Inspector General w/o attachment

OFFICE OF ADMINISTRATION'S RESPONSE TO THE AUDIT OF PROPERTY MANAGEMENT

INVENTORY PROCESS

RECOMMENDATION:

1. (a) The Property Management Officer (PMO) should verify the existence and exact location of all property on the Master Property Listing (MPL) with locations shown as "222" or "store".

RESPONSE: AGREE WITH COMMENT

The Property Management Officer (PMO) has addressed the status or existence and exact location of all the above described property. The PMO has made the following determinations:

- all computer locations have been verified.
- all laser printer locations have been verified.
- all laptops are personal charge items under the control of OIRM. They will be added to the MPL when reconstituted.
- all dot matrix printers are personal charge or supply items.
- all ADP Miscellaneous are grouped fixed assets (items like token ring cards with no identity).
- all WANG equipment locations have been verified.
- all file cabinets have been verified by location or as have been dropped value under $300 based on a previous PMO decision.
- all chairs have been verified by the PMO in groupings by AOs or by location (e.g., hearing rooms) or have been dropped value under $300 based on a previous PMO decision.
- the existence of surplus partitions have been verified by the PMO and grouped awaiting removal when the MPL is reinitiated later based on their value and lack of identity.
- all systems furniture workstations on the MPL have been determined to be duplicate barcode numbers caused by each individual station element having been previously barcoded. The PMO had previously made a decision to go to workstation rather than piece count. This finalizes that transition.

- the PMO has previously determined that Timeclocks as a class should be treated as a supply item. This finalizes that decision.

- old IBM Selectric typewriters have been verified and determined to be supply or personal charge items.

- all bookcases should have been removed from the MPL as having a value under $300.

- all credenzas and desks transferred to this location were determined by the PMO to have been duplicate entries or were to be removed based on a value under $300.

- all printer stands and tables were previously determined by the PMO to be valued under $300. This finalizes that decision.

- the PMO had previously determined that all telephone instruments on this list are aged and incompatible machines with no value and were to be removed. This finalizes that decision.

- all keyboards, monitors and modems were jointly declared supply items by the PMO and the Office of Information Resources Management (IRM).

The PMO has worked with and analyzed the "222" and STORE" lists to make or finalize the above described determinations. The PMO also personally conducted a reinventory to correct the problems caused by continually moving items and to verify previous decisions reflected above. New lists will be transmitted to AOs for accountability.

TARGET COMPLETION DATE: November 15, 1991

RECOMMENDATION:

(b) update the MPL.

RESPONSE: **AGREE**

As described above, the PMO has recertified all items previously on the MPL and made transfers to the appropriate Accountable Officer (AO) from "222" and "store".

TARGET COMPLETION DATE: November 15, 1991

RECOMMENDATION:

(c) and ensure that accountability is established.

RESPONSE: AGREE

Each AO will receive a copy of the revised listing generated above to be confirmed with a signed copy returned to the PMO for his files.

TARGET COMPLETION DATE: November 15, 1991

RECOMMENDATION:

(d) The PMO should ensure that AOs are knowledgeable of ITC 110 form requirements and should establish a schedule for timely entry of all form 110 actions into the property management system.

RESPONSE: AGREE

This issue is addressed as part of several specific recommendations.

TARGET COMPLETION DATE: February 28, 1992

PROPERTY PASS SYSTEM

RECOMMENDATION:

2. The Chief, Operations Branch (ASD/OPS) should ensure that all personnel authorized to sign property passes are aware of how to properly complete the pass and that guards are following established procedures.

RESPONSE: AGREE

The Director of OMS has directed the Chief, ASD/OPS to prepare an instruction sheet for the use of the guards and all office directors. That sheet will be used to generate a briefing for all authorized property pass signatories. The PMO will counsel with the individual identified by the auditors who has a large volume of property pass activity.

TARGET COMPLETION DATE: January 8, 1992

AUDIT RECOMMENDATIONS REGARDING OTHER CONDITIONS:

INVENTORY PROCESS:

RECOMMENDATION:

1. The PMO should retain a signed copy of the final property listing for which each AO acknowledges responsibility.

RESPONSE: AGREE

Rewritten directives and procedures will reflect this as a requirement.

TARGET COMPLETION DATE: December 17, 1991

RECOMMENDATION:

2. The Director, OMS, should revise ITC Directive 3550 to require that a joint PMO/AO inventory be conducted annually. This would allow joint agreement on what property actually is in use by the AO and expedite finalizing AO property listings and property accountability.

RESPONSE: AGREE

TARGET COMPLETION DATE: February 28, 1992

The PMO needs to reinitiate the inventory process and take other actions related to the property management system. The following steps should be taken in the order indicated:

a. Dispose of all excess property and delete it from property records.

RESPONSE: AGREE

Materials were declared excess to GSA in FINDINGS: INVENTORY PROCESS: item 1a. and deleted from the MPL. The PMO has segregated the excess property and will maintain separate controls over excess property until GSA is able to authorize disposal.

TARGET COMPLETION DATE: November 15, 1991

b. Resolve any items remaining on "store" and "222" property lists.

RESPONSE: **AGREE**

See INVENTORY PROCESS: item 1a for a description of the resolution process.

TARGET COMPLETION DATE: November 15, 1991

c. Conduct a new physical inventory with a joint PMO/AO team and resolve all existing differences (complete within 30 to 60 days).

RESPONSE: **AGREE** (BASED ON ABOVE COMMENTS)

New lists will be issued based on the PMO's corrections made to the "222" and "STORE" lists discussed in INVENTORY PROCESS: item 1, et al.

TARGET COMPLETION DATE: November 15, 1991

d. Consider using a new type of barcode and remove all existing barcodes.

RESPONSE: **AGREE**

The PMO will evaluate the extent of the problem and consider using a new type of barcode.

TARGET COMPLETION DATE: February 28, 1992

e. Review criteria for placing property in the property management system and update ITC Directives to reflect decisions reached.

RESPONSE: **AGREE**

The PMO will appoint a team composed of the Directors of Administration, Finance and Budget, Information Resources Management to assist him with a review of the type, value and relative levels of risks to property held by the Commission. Through this process, new property inclusion criteria will be developed. With the Director of Administration's formal approval, the PMO will make appropriate changes to implement those decisions.

TARGET COMPLETION DATE: February 28, 1992

f. Delete from the MPL all property not meeting revised criteria.

RESPONSE: **AGREE**

The PMO will either closely supervise or will personally undertake the deletions from MPL.

TARGET COMPLETION DATE: January 8, 1992

g. Prepare a list of property for which each AO is responsible based on the inventory and any new criteria.

RESPONSE: **AGREE**

After the new criteria have been selected and the MPL modified, each AO will be provided with two copies of the updated listing.

TARGET COMPLETION DATE: February 6, 1992

h. Have the AO sign the applicable property listing. The PMO and AO should retain a copy of this listing.

RESPONSE: **AGREE**

The rewritten Directives and procedures will reflect this as a requirement.

TARGET COMPLETION DATE: February 28, 1992

PROPERTY TRANSFER AND DISPOSAL PROCESS:

RECOMMENDATION:

1. The PMO should take aggressive action to identify, report, and dispose of all excess property.

RESPONSE: **AGREE**

The PMO has a staff person assigned to this and we will remain aggressive.

TARGET COMPLETION DATE: Ongoing.

RECOMMENDATION:

2. The PMO should establish controls over contract movers to ensure no property is moved without PMO concurrence. The AOs should comply with this requirement.

RESPONSE: PARTIALLY AGREE

The PMO concurs with this recommendation as it relates to property passing between AOs or from the PMO and an AO. However, the PMO does not have to concur with an AO's requirement to have property assigned to him or her which needs to be relocated by contract movers as long as the property remains with the same AO. This is consistent with recommendation number 6 under section "General Property Management" which recommends that the OMS property management system track property only to the AO, not the room or individual user level.

TARGET COMPLETION DATE: February 28, 1992

RECOMMENDATION:

3. The PMO should expeditiously complete and submit the FY 1990 SF 121 and establish written procedures to ensure timely completion of future reports.

RESPONSE: AGREE

TARGET COMPLETION DATE: December 30, 1991

RECOMMENDATION:

4. Written procedures for property transfers and disposal external to ITC should be prepared. They should cover assignment of responsibility for approving GSA excess property reports and document the requirements for property taken to the disposal facility.

RESPONSE: AGREE

TARGET COMPLETION DATE: December 30, 1991

RECOMMENDATION:

5. Written procedures should be established for disposal of ITC property. These procedures should state that barcodes are not to be removed until the property is in the final stage of leaving ITC control.

RESPONSE: AGREE

TARGET COMPLETION DATE: December 30, 1991

GENERAL PROPERTY MANAGEMENT:

RECOMMENDATION:

1. The PMO should provide a property management training program for all AOs, alternates, and custodians. This program should be designed to cover all facets of property management with emphasis on the responsibility that is inherent in these positions. This training should coincide with the action taken on recommendation No. 2 under Inventory Process in the Other Conditions section of this report.

RESPONSE: AGREE

This requirement will be accomplished in concert with item 2, OTHER CONDITIONS: INVENTORY PROCESS.

TARGET COMPLETION DATE: February 28, 1992

RECOMMENDATION:

2. Prior approval of the PMO or alternate should be obtained for all documents submitted to GSA to report excess property and for all property items deleted from the property management system.

RESPONSE: AGREE

TARGET COMPLETION DATE: February 28, 1992

RECOMMENDATION:

3. The PMO should reevaluate the requirements for records on personal charge property and, if records are determined to be required, provide more detail to AOs on the type of records to be maintained.

RESPONSE: AGREE

The PMO will be assisted by the executive group described in OTHER CONDITIONS: INVENTORY PROCESS: item 2d. in his evaluation of this issue. The PMO will execute the decision.

TARGET COMPLETION DATE: December 30, 1991

RECOMMENDATION:

4. The Director, OFB, should revise the written capitalization policy to ensure it is consistent with GAO's Title 2.

RESPONSE: AGREE

The Director, OFB will issue a memorandum to the appropriate managers in Administration to clarify the internal policy and ensure that fixed assets will be valued consistent with the policy established in Title II of the General Accounting Office GAO) "Policy and Procedures Manual for Guidance of Federal Agencies".

TARGET COMPLETION DATE: September 30, 1991

RECOMMENDATION:

5. The Director, Office of Administration should encourage AOs at top management levels to consider delegating their duties and authority for property management to a staff member at a lower level, as appropriate, to ensure that adequate time and attention are devoted to property management. With this delegation, responsibility for this activity would still remain at the appropriate management level.

RESPONSE: AGREE

TARGET COMPLETION DATE: February 28, 1992

RECOMMENDATION:

6. The OMS property management system should track property only to the AO level, not the room- or individual user-level. Individual AOs should be responsible for knowing the exact location of property under their custody.

RESPONSE: AGREE

The Directives will be changed to reflect this.

TARGET COMPLETION DATE: February 28, 1992

RECOMMENDATION:

7. The PMO should review the types of property and the current $300 threshold for listing property in the property management system to determine if the current policies provide for efficient accounting and control of property having a low risk of loss. Consideration should be given to raising the current dollar threshold and exempting from property control certain low risk property items.

RESPONSE: **AGREE**

The PMO in coordination with the Directors of Finance and Information Resources Management will be forwarding to the Director of Administration his recommendations for the changes.

TARGET COMPLETION DATE: February 28, 1992

RECOMMENDATION:

8. The PMO should ensure that non-ITC personnel are not allowed unescorted access to property storage areas.

RESPONSE: **PARTIALLY AGREE**

The Contract services employees of Dynamic Concepts, Inc. (DCI) are bonded and cleared for security purposes. They are qualified for unescorted access. However, all other non-ITC personnel will not be allowed unescorted access.

TARGET COMPLETION DATE: Complete