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Audit Report

Audit of Property and Supplies Management

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AUDIT OF PROPERTY AND SUPPLIES 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. This audit of 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 of every three years. A prior audit report on property management was issued in November 1991; supplies management was not included in the scope of that audit.

The objectives of this audit were to: determine whether proposed actions agreed upon by management in response to the prior property management review had been implemented and adequately addressed the findings; and evaluate and determine the economy and efficiency of the property and supplies management functions.

The audit was conducted by Urbach Kahn and Werlin in accordance with the Government Auditing Standards issued by the Comptroller General of the United States. The audit results are presented as an attachment to this report.

The audit report on property management issued in November 1991 identified two material weaknesses. 1) A large amount of property was recorded on the master property list with location codes that did not represent actual physical locations. 2) Property pass procedures were not always followed. In addition to the material weaknesses, the auditors identified numerous other conditions in the inventory process, property transfer and disposal, and general property management that needed improvement. A number of recommendations were made to correct the weaknesses. As part of the corrective actions, a significant number of low value items that could not be located were deleted en masse from the master property list. In September 1992, the Director of Administration reported that final action had been completed on all recommendations.

Despite the actions taken in response to the prior report, the auditors have again found that the master property list is not accurate. The current status of the property management system can be simply described as no different than November 1991 except that there is significantly less property in the system. Even the Property Management Officer (PMO) stated that the inventory data was useless and there were serious weaknesses in the maintenance of ADP equipment property action forms.

One of the most basic controls in a property system is to have completed an annual inventory, meaning that accountable officers review the master property list provided by the PMO and all differences are reconciled, resulting in a final accurate list. The Commission has had a requirement for an annual inventory since 1988. In the prior audit, we found that an inventory had not been completed in calendar years 1989, 1990, or 1991. Now, 1992 and 1993 can be added to those dates.

Another significant control in a property system is the use of documentation to track the transfer of property. This aspect of the Commission's system was significantly changed from the previous system after the last audit. To reduce the burden on managers, only changes between accountable officers had to be documented -- not every change of location. The losing office has responsibility for initiating the form used as documentation for a property transfer. However, we found that this responsibility was not well understood, especially for computer equipment and the forms were maintained in such a manner that they could not be readily matched to transfers. According to the PMO, accountable officers frequently did not complete the transfer forms resulting in the serious problems with the master property list accuracy.

Even though the PMO was aware that the property system had serious weaknesses, he did not bring them to management's attention for action. The PMO reported no weaknesses, material or non-material, in the letters of assurance submitted as part of the FYs 1992 and 1993 internal control processes, indicating that the system of controls as reported in September 1992 was working properly. The Director of Administration said that he was not aware of the weaknesses. The PMO said that he understood that only weaknesses in the system of controls had to be reported, not that management officials outside of his control were not complying with the controls. We believe that the PMO was obligated to report that he was unable to confirm the accuracy of the master property list and identify the lack of compliance as a cause.

Recommendations to address the weaknesses include temporary quarterly rather than annual reconciliations, improving controls over movement of property, and a training program (page 14). We also believe the results of the quarterly reconciliations should be reported to the Chairman.

The auditors found similar problems with the supply inventory system: inaccurate records, poor space utilization, and inadequate separation of duties. Rather than revise the current system, we believe the Commission should implement a contracting system for the distribution of office supplies (pages 9 and 10). This system should provide the same or better service to the customers and benefit the Commission as more efficient to operate.

The Director of Administration generally agreed with the findings and recommendations as stated on pages 10 and 14 of the report. The Director's comments are included in their entirety as an appendix to the report.

Jane E. Altenhofen
Inspector General

UNITED STATES INTERNATIONAL TRADE COMMISSION

REVIEW OF PROPERTY AND SUPPLIES MANAGEMENT

APRIL 1994

UK&W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

UNITED STATES INTERNATIONAL TRADE COMMISSION

REVIEW OF PROPERTY AND SUPPLIES MANAGEMENT

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INDEPENDENT ACCOUNTANT'S REPORT

UK &W Urbach Kahn & Werlin PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REPORT

UNITED STATES INTERNATIONAL TRADE COMMISSION
Office of Inspector General

We have performed certain agreed-upon procedures related to the property and supplies management functions within the United States International Trade Commission (USITC). The procedures, identified in Section II of this report, were performed in accordance with *Government Auditing Standards* and were agreed to by USITC's Office of Inspector General. The procedures were performed solely to assist USITC in evaluating and determining findings regarding the economy and efficiency of the property and supplies management functions and determine whether proposed actions agreed upon by management in response to the prior property management recommendations have been implemented and adequately address the findings.

The objectives, scope and methodology are discussed in Section II of this report.

We considered USITC's internal control structure solely for the purposes of planning and performing the agreed-upon procedures and not to provide assurance on any segment of the internal control structure or the structure taken as a whole. The matters which came to our attention relating to significant deficiencies (material weaknesses) in the design or operation of relevant segments of the internal control structure are reported as findings 1) and 2) in Section IV of this report.

This report is intended solely for the information of USITC. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

URBACH KAHN & WERLIN PC

Washington, DC
April 1, 1994

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SECTION I

BACKGROUND

UNITED STATES INTERNATIONAL TRADE COMMISSION

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BACKGROUND

Introduction

The United States International Trade Commission (USITC) is an independent, quasi-adjudicative agency of the United States Government established by Act of Congress. USITC, among other functions, conducts investigations under several statutory authorities with respect to the impact of imports on domestic industries, and, upon request, provides advice to the President and Congress on tariff and trade matters.

USITC has a full-time permanent staff of approximately 450 individuals, with budget appropriations for fiscal years 1993 and 1994 of $44,852,000 and $43,500,000, respectively.

Property and supplies 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. These systems are reviewed on a three year cycle in accordance with OMB Circulars.

Property and supplies management is the responsibility of USITC's Office of Management Services (OMS). OMS tracks electronic equipment and supplies used by USITC employees at its headquarters at 500 E Street SW. USITC also has a storage facility in Forestville, Maryland leased from the General Services Administration (GSA) for surplus and excess furniture and other equipment.

As of September 30, 1993, fixed assets were valued at $7.7 million. Office supplies purchased for the year ended September 30, 1993 totaled $323,249. Supplies purchased by the Office of Information Services (OIS), consisting primarily of software costs and replacement parts, amounted to $145,708 for the same period.

The last review of property management services was completed in November 1991. The results included two material weaknesses relating to property inventory and the property pass system.

SECTION II

OBJECTIVES, SCOPE AND METHODOLOGY

UNITED STATES INTERNATIONAL TRADE COMMISSION

REVIEW OF PROPERTY AND SUPPLIES MANAGEMENT

OBJECTIVES, SCOPE AND METHODOLOGY

Objectives

Urbach Kahn & Werlin PC (UKW) was engaged to evaluate the properties and supplies management functions within USITC. The objectives of this engagement were to: evaluate and determine the economy and efficiency of the property and supplies management functions and determine whether proposed actions agreed upon by management in response to its prior property management review have been implemented and adequately address the findings.

Scope

UKW conducted the engagement from March 21 to April 1, 1994 at the offices of USITC in Washington, DC. UKW's engagement staff interviewed numerous USITC employees involved in the property and supplies management functions.

Methodology

The general procedures performed by UKW were as follows:

- Reviewed report #16-01-92, *Audit of Property and Management* and determined the findings which needed to be evaluated during the current engagement. Reviewed and evaluated management's responses and proposed actions.

- Reviewed related Federal and/or USITC guidance including:

  ✓ *Directive 1022.1, Office of Management Services Mission and Function Statement*
  ✓ *Directive 3550.1, Property Management: Policies and Procedures*

- Identified and interviewed key personnel in the Office of Management Services (OMS) responsible for property and supply management.

- Determined the valuation of fixed assets as of September 30, 1992 and 1993.

- Reviewed procedures for identification, tagging, and tracking of physical inventories of fixed assets and supplies.

- Selected a sample of accountable areas and performed the following procedures:

  ✓ Determined whether inventories were performed adequately and timely by the Accountable Officer and the Property Management Officer.
  ✓ Reconciled the most recent physical inventory list to the Master Property List.
  ✓ Independently conducted an inventory of property and compared the results to the OMS inventory reconciliation.

- Determined property on the Master Property List had a valid location. If not, we attempted to locate the items to confirm that the property is in use.

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OBJECTIVES, SCOPE AND METHODOLOGY

- Analyzed a sample of ITC Form 110s and determined if property transfers were properly handled.

- Tested barcode numbering method to determine its effectiveness.

- Evaluated whether the Property Pass procedures are followed, with regards to whether the Property Pass is filled out and properly signed and whether the security guards understand the procedures and use of the form.

- For a sample of property disposed of, determined:

  ✓ the effectiveness and appropriateness of the decision criteria.
  ✓ compliance with the stated procedures, particularly documentation.

- Determined if the SF121s were completed in a timely manner in accordance with the Federal Property Management Regulation for fiscal years 1992 and 1993.

- Determined if Directive 3550.1 and other changes to property management procedures adequately address the findings of the prior audit report.

- Interviewed seven accountable officers (AOs) or his/her designee through the use of a questionnaire to evaluate the level of compliance with respect to property management and supplies management. The interviews were conducted in the following offices:

  ✓ Office of the General Counsel
  ✓ Office of Operations
  ✓ Office of Economics
  ✓ Office of Management Services
  ✓ Office of Industries/Chemicals and Textiles Division
  ✓ Office of Industries/Machinery and Transportation Division
  ✓ Office of Industries/Minerals, Metals and Miscellaneous Manufacturing Division

- Determined how supplies are defined, where they are located, and how they are tracked or accounted for.

- Assessed the internal controls over supply management and discuss them with staff from OMS and OIS.

- Evaluated the policies and procedures for stocking and disbursement of supplies.

- Evaluated the economy and efficiency of the supply function with emphasis on procurement, documentation/accountability, and allocation.

- Determined if charge cards are used to the maximum extent to purchase supplies and the extent to which individual purchase orders are issued for supply items.

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OBJECTIVES, SCOPE AND METHODOLOGY

- Sampled supply items and performed an inventory count to determine the location of goods.
- Determined potential alternatives to providing supplies and performed cost benefit analyses of those alternatives against the current system.
- Performed a site visit to the Forestville, Maryland USITC storage facility to inspect excess/surplus property and supplies.

SECTION III

RESULTS OF PROCEDURES

Supplies

USITC maintains an attended supply room for all generic office supplies (office supplies) which is open to all USITC personnel. The supply room attendant is responsible for safeguarding the inventory, ordering supplies through GSA, stocking supplies, and maintaining the perpetual inventory record keeping system. OIS maintains computer related supplies which are also available to all USITC personnel (OIS supplies). The Printing Branch maintains copier and printing supplies such as paper, toner, and ink (print branch supplies). The fiscal year 1993 budgeted amounts for supplies were as follows:

Office supplies and print branch *(Note 1)*	$352,500
OIS supplies, including software and hardware replacement parts	$150,000

Note 1: The budget and expenditures were not segregated by supply room and print shop supplies. OMS estimates the supply room accounts for approximately $50,000 of the $352,500.

As discussed in Finding 1, the tracking systems employed by ITC for monitoring supply inventories are not properly maintained or do not provide for effective control over the supplies.

As part of our review we considered alternatives to GSA for the procurement and distribution of office and paper supplies to ITC that might provide cost-effective solutions to the supply inventory matters discussed in this report. The results of our analysis are as follows:

There are several independent companies that specialize in contracting Just In Time (JIT) distribution of office supplies to federal government agencies. UKW's analysis was based on a review of the executed contract between Boise Cascade and the Smithsonian Institution provided to ITC by Boise Cascade, catalogues and price lists, and discussions with ITC management.

Although the JIT system can provide an array of options, the general process would begin with the contractor providing to ITC a catalogue with a comprehensive listing of office supplies available. Each office within ITC would send an e-mail to OMS with its request. The ordering process would be centralized in OMS with OMS ordering through the contractor's own ordering system electronically. The contractor would then deliver the requested supplies directly to the ordering office within ITC.

Our analysis found the following benefits of JIT as compared to the current system:

A) The catalogue prices of office supplies through JIT are generally less expensive than GSA. JIT's fee structure also includes delivery, training for electronic ordering entry, catalogues, and cost reporting at no additional charge. Further, JIT does not require any initiation or start up costs.

B) It would no longer be necessary for ITC to maintain a significant amount of inventory. As such, less space would be required for inventory storage and less exposure to loss or shrinkage would exist.

C) A full-time supply room attendant would not be necessary. OMS estimates that one-half of the attendant's time would continue to be required for JIT in order to collect and process orders.

D) The conditions discussed in the report, such as ITC personnel not adequately trained in perpetual inventory maintenance, the lack of an adequate perpetual inventory system, and the segregation of duties concern (the same individual who maintains all inventory records also maintains physical access) would be eliminated since JIT would eliminate the need to maintain inventory.

E) JIT could provide cost accounting reports which ITC is currently unable to generate.

F) The JIT system would comply more fully with the EOQ principle set forth in 41 CFR, Chapter 101-27.

However, our analyses found the following drawbacks of JIT as compared to the current system:

A) The majority of ITC personnel interviewed were content with the current system, and enjoyed the convenience of the supply room providing necessary supplies on a walk-in basis. The JIT 24-hour delivery time may result in some ITC personnel incurring a delay in obtaining some supplies.

B) An internal control weakness could exist if the same individual who sends an e-mail to OMS for a request also accepts the delivery order.

C) ITC's current budgetary system does not provide for an allocation of the supplies budget among the various offices and thus, cannot fully utilize the cost reporting functions in conjunction with the budget. Although the budget line item for supplies is relatively small, ITC could consider a more limited evaluation of JIT's cost accounting reports which might provide OMS with the necessary information on departmental supply usage to adequately monitor the supply budget.

Property

Although OMS is responsible for overall management of property and equipment within USITC, this responsibility is shared with the Accountable Officers (AOs) within ITC who, according to USITC Directive 3550.1, "...are responsible for...protecting and efficiently using all government property within his/her specifically defined organizational area."

In addition, certain property within ITC is monitored through the use of a Master Property List (MPL). Under ITC policy, property included on this MPL includes personal computer CPUs, laptop

computers, VCRs, televisions, facsimile machines and video cameras and as of March 1994 consisted of approximately 750 items.

In order to properly reflect transfers of assets on the MPL, the AOs are required to complete and remit to the Property Management Officer (PMO) USITC Form 110 (110) when trackable property is transferred from one accountable area to another. The PMO then updates the MPL using the 110s.

At the end of each fiscal year, the PMO has 30 days to provide each AO with a listing of property for which the PO is responsible. Each AO must then perform a physical inventory of their respective area to verify the accuracy of the MPL and report any discrepancies to the PMO.

As discussed in Finding 2, inadequate controls over ITC Form 110s, which document the movement of accountable property, and inadequate and untimely MPL reconciliations have resulted in a significant weakness in the overall control procedures relating to property management. Since the current system cannot be relied upon to adequately control accountable or trackable property as designed, we consider this situation to be a material weakness in USITC's internal control structure.

However, our review also revealed that procedures relating to the reporting of excess or surplus property to GSA and the use of charge cards for the procurement of supplies were in compliance with GSA regulations and ITC policies.

The following sections outline our specific findings and recommendations and other matters related to the management of properties and supplies identified during our review.

SECTION IV

FINDINGS AND RECOMMENDATIONS

1) *SUPPLY INVENTORY SYSTEM COULD BE ENHANCED WITH IMPLEMENTATION OF SYSTEMS OFFERED BY OUTSIDE SUPPLIERS*

Condition

Our review identified the following findings:

Office supplies: The supply room attendant maintains perpetual inventory records on a Dbase computer program. Quantities for nine items (out of ten counted) did not agree with the perpetual inventory records.

Office supplies were also stored in two additional locations: the USITC parking garage and an USITC storage unit located in Forestville, Maryland. The contents of parking garage appeared disorganized and the quantity of supplies in the Forestville-storage unit did not appear to be significant. We believe with reorganization, additional space could be made available in the garage for use in lieu of the storage unit in Forestville.

We also noted a weakness regarding the segregation of duties in the supply room as the supply room attendant is responsible for maintaining the perpetual inventory system and also has physical access to the supplies.

Print branch supplies: The print branch maintains manual inventory records and performs a physical inventory semi-annually (for non-xerox paper supplies) and bi-monthly (for xerox paper). The methodology used consists of adding the prior inventory for each item to the quantities received for the period, then subtracting this amount from the actual count. The difference is assumed to be the quantity of supplies consumed. This process does not provide for any reconciliation procedure which would identify unauthorized use of paper supplies.

Criteria

USITC Directive 1022.1, states as a function of OMS, "... orders, maintains, and controls a supply inventory..." Additionally the directive states that OMS is, "...accountable for the physical protection of all Commission assets..."

41 CFR, Chapter 101-27.101 states, "Each agency shall establish and maintain such control of personal property inventories as will ensure that the total cost involved will be kept to the minimum consistent with program needs..." Additionally, Chapter 101-27.102 states, "All executive agencies, ...shall replenish inventories of stock items having recurring demands, except items held at points of final use, in accordance with the economic order quantity principle. The economic order quantity (EOQ) principle is a means for achieving economical inventory management. Application of the EOQ principle reduces variable costs of procurement and possession to a minimum..."

Cause

With respect to office supplies, it appears that the Dbase perpetual inventory program is not fully understood or properly operated by the users. Additionally, because the Dbase program was developed by USITC, it is not as user friendly as commercial software. The Print Branch has not converted to a computerized perpetual system.

Since USITC does not expend a significant amount of the budget on the supply room, or generate voluminous activity, OMS does not consider further segregation of duties necessary.

Office supplies were stored in the two additional areas due to the limited space in the supply room. OMS indicated that office supplies have since been removed from the Forestville location.

Effect

Inadequate supply inventory controls creates the potential for misappropriated supplies. Additionally, inaccurate schedules of supplies available limits the efficient management of supplies.

Recommendation

Considering the results of our analysis as discussed in Section III of this report, we recommend that the Director, OMS:

1. Implement a non-GSA independent Just In Time (JIT) contracting system for the procurement and distribution of office supplies and implement appropriate control procedures within ITC for purchasing and budget management. OMS should maintain small inventory levels of items which might cause problems if not delivered timely.

2. Assume responsibility for supplies distributed by OIS to other offices within ITC and amend Directive 1031, Mission and Functions Statement for the Office Support Division of OIS, to reflect this change.

Commission's Response

The Commission generally agreed with the above recommendations.

2) *MASTER PROPERTY LISTING IS NOT ACCURATE*

Condition

During UKW's physical inventory observation procedures, we compared the physical property barcode number to the MPL barcode number for approximately 78% (588 of 750 total) of the items on the MPL. We found the following number and type of discrepancies:

✓ 73 of the 588 (12%) of the items on the MPL were not located in any of the areas UKW observed during the physical inventory.

Possible explanations for the items not observed are as follows:

- Some of the items could be in a location not visited by UKW during the physical inventory. As such, the property 110 documentation was not completed to reflect property transfers of these items.
- Some of the items could have been determined excess/surplus or traded-in; however, did not have the proper 110 documentation completed. As such, these items would improperly appear in the MPL.
- Some of the items could have had an incorrect barcode number on the MPL.

Due to the number of exceptions found, we summarized and compared all of the property listings provided by the AOs to the MPL. Since all AOs or his/her designees implemented a physical inventory in March 1994, the individual listings should have represented the entire physical inventory within USITC subject to the MPL. 64 of the approximately 750 items were not reported by any of the AOs or his/her designees as follows:

Description of Property	Asset Items Not Located
486 personal computer CPUs	6
386 personal computer CPUs	27
AT personal computer CPUs	28
Facsimile machines	3
	64

✓ 102 of the 588 (17%) of the items on the MPL were found by UKW during the physical observation, but were not found in the location indicated on the MPL. This is a result of 110 documentation not completed to reflect property transfers.

✓ 17 trackable items were physically observed with a barcode number but the items and corresponding barcode number were not on the MPL.

✓ 12 property items were physically observed lacking barcodes. These 12 items were trackable items which should have been barcoded.

✓ Three property items on the MPL had an invalid location indicated on the MPL.

We also found ITC does not consider cameras or printers to be trackable items subject to the MPL. Since these items are relatively expensive and/or portable and are similar to other property currently deemed trackable, we believe ITC should consider them as trackable items subject to the MPL.

Further, for fiscal year 1993, the property listings should have been provided by the PMO to the AOs by October 31, 1993 but were not distributed until February 28, 1994. We also noted that of the inventory listings returned to the PMO, 18 were not signed or signed by an individual other than the AO and 9 did not date the forms.

Interviews with the AOs or their designee found that the AOs generally did not designate individuals on a consistent basis (i.e., different designees assigned each year).

Criteria

USITC Directive 3550.1, part 6f, states, "...Accountable Officers (AOs) are responsible for -- (1) Protecting and efficiently using all Government property within his/her specifically defined organizational area. (2) Tracking of all items in his/her area which are included in the ... official property list [MPL]...(4) Notifying the office with 'central' maintenance responsibilities, e.g., OMS or OIRM [OIS] when property is relocated and notifying OMS whenever any property listed on their inventory is relocated out of the AOs accountable area..."

USITC Directive 3550.1, part 11, states, "...When property which appears on an AOs inventory list is transferred from one accountable area to another, such transfer must be recorded on an USITC Form 110, Property Action Form...A copy of the USITC Form 110 must be forwarded to the PMO [OMS] for recording in the master system [MPL]. Failure to document a transfer may lead to the AO being held financially responsible for the missing item..."

USITC Directive 3550.1, part 6b, states, "...The Property Management Officer (PMO) [OMS] is responsible for -- (1) Providing overall supervision and technical direction of the property management system for the USITC...(5) Maintaining a record of and periodically verifying the AOs' inventories..."

USITC Directive 3550.1, part 7a, states, "...By October 31 of each year, the PMO will provide all AOs a listing of all personal charge property assigned to their accountable area. Annually, by January 31, each AO or his/her designee will perform a physical inventory and provide the PMO with a listing of all property assigned to that office which reflects any additions or deletions made during the previous calendar year. AOs must ensure the

procedure outlined in paragraph 11, Reassignment of Personal Property, to record changes to their listings is followed..."

Cause

The majority of the AOs or his/her designee submitted property listings with property items crossed out for items no longer in his/her accountable area. Conditions which would result in items no longer being in an AOs accountable area would be if the property was transferred to another department or the property was determined excess or surplus, and, therefore, turned over to either OMS or OIS as appropriate. Additionally, the listings indicated manual additions for property items which were in his/her accountable area, but were not on the MPL.

If procedures were followed, the AOs would provide 110s to OMS, OMS would enter the transfers into the MPL system, resulting in the AOs having to make minimal manual deletions or additions to his/her property listing, but the AOs did not maintain support (ie. 110s) for deletions or additions making verification difficult. The AOs or his/her designee indicated that because 110s are remitted to OMS, they did not retain copies.

In interviewing a sample of AOs or his/her designees, we found that some were either not aware of the 110 or did not recall ever completing one. OMS indicated that if the item was not transferred on the MPL to the proper accountable area, then it did not receive a 110. Consequently, it appears the cause of the inaccurate MPL is that property is frequently moved within USITC, or property is determined to be surplus or excess without proper 110 documentation generated or processed. Additionally, OMS's filing system for 110's is organized chronologically, rather than by office which does not provide for the tracking of an asset to a 110.

The PMO indicated that the property listings were not provided to the AO or his/her designee until February 28, 1994 due to USITC recently completing the purchase of approximately 500 new 486 personal computers. As such, the PMO preferred to defer the physical inventory until all the new equipment was received, distributed and the MPL updated.

In addition, the fiscal year 1992 physical inventory was initiated; however, the MPL was not reconciled to the inventory reports.

Effect

USITC personal property is not adequately tracked. USITC is exposed to the potential for misappropriated property.

Recommendation

We recommend that the Director, OMS:

3. Revise USITC Directive 3550.1 to reflect the following changes:

   a. Each AO or his/her designee should retain copies of all 110 forms until the physical inventory is verified by the PMO. When the AO or his/her designee receives the quarterly property listings, the 110 forms should be used to provide support for the items which were deleted.

   b. The PMO should coordinate the completion of the AOs quarterly physical inventory listing with a periodic (at least annual) visual inspection to ensure all items reported by each AO are present and properly recorded on the MPL.

   c. 35mm cameras and printers should be included as trackable property. We also suggest the three cameras which we observed in the OMS Design Branch be rebarcoded.

4. Inventory the MPL quarterly rather than annually for one year so that the reconciliation process with the AOs can be performed on a more timely basis. Once all of the 110 forms are processed, the AO or his/her designee should promptly receive a revised property listing. This will provide the AO or his/her designee an opportunity to correct entries which may have been overlooked or entries which were not processed properly by OMS. The results of the quarterly inventory should be reported to the Chairman.

5. Provide for a property management training program for all AOs, alternates and custodians. This might be conducted in conjunction with the inventory observation procedures recommended above.

6. Remind the AOs they are ultimately responsible for property assigned to their area and may be held financially accountable for property lost or misplaced and encourage the AOs to use the same individual from year to year, if practical.

7. Consider implementing color coded barcodes to segregate trackable property from other barcoded equipment.

Commission's Response

The Commission generally agreed with each of the above recommendations.

SECTION V

OTHER MATTERS AND SUGGESTIONS

UNITED STATES INTERNATIONAL TRADE COMMISSION

REVIEW OF PROPERTY AND SUPPLIES MANAGEMENT

OTHER MATTERS AND SUGGESTIONS

1) *EXCESS/SURPLUS PROPERTY*

We observed excess/surplus property in the following locations:

Forestville, Maryland:

> 17 IBM XT personal computers; several pieces of peripheral computer equipment; USITC's old mainframe computer printer; and several obsolete adding machines, typewriters, and miscellaneous office equipment.

Rooms 411D and 411M (OIS):

> Several personal computers, monitors, keyboards, laser printers, modems, network equipment, file servers, disk drives and other miscellaneous peripheral equipment.

Although the equipment in Forestville has been reported to GSA as excess, the equipment in rooms 411D and 411M has not.

We suggest OIS determine which equipment is excess, and immediately report such excess property to OMS. We further suggest that when this equipment is declared as excess by OIS, OMS transfer the equipment to the Forestville storage facility and report it to GSA.

2) *LAPTOP CONTROL PROCEDURES*

We reviewed the laptop control procedures for all departments which had 5 or more laptops assigned. We found that in most offices, log-in/out sheets were adequately maintained and control procedures were adequate. However, we found OIS does not maintain a log which adequately identifies each laptop and its location.

We suggest OIS develop a log-in/out sheet for the laptops assigned to staff within OIS as well as laptops returned for repair, upgrade, etc.

OIS concurred that it could do a better job of tracking laptops. The problems were attributed to inaccuracies in the MPL, the reorganization of OIS, and personnel vacancies, OIS now has an accurate inventory of laptops and will maintain an accurate tracking log.

3) *PROPERTY PASS PROCEDURES*

In our judgmental selection of 25 property passes to review, we found that eight property passes were not completely filled out. Such omissions included the full names not provided, the department or agency not provided, and the dates that the passes were valid were not provided. Additionally, the property pass procedures for removing property from the USITC building were not diligently enforced by the security guards. UKW was able to walk out of the building with one of USITC's laptops visible without requiring a property pass. Furthermore, we asked an USITC staff member to walk out of the building with one

of our laptops and no property pass. He was not asked by the guard to provide a property pass. USITC staff and security personnel should be reminded of the policies and procedures regarding the property pass currently in place.

Commission Response

The Commission generally agreed with each of the above three suggestions.

ADMINISTRATION'S RESPONSE TO THE DRAFT REPORT ON THE AUDIT OF PROPERTY AND SUPPLIES MANAGEMENT

I. AUDIT RECOMMENDATIONS REGARDING FINDINGS:

A. SUPPLY INVENTORY COULD BE ENHANCED WITH IMPLEMENTATION OF SYSTEMS OFFERED BY OUTSIDE SUPPLIERS

RECOMMENDATION:

1. Implement a non-GSA independent Just In Time (JIT) contracting system for the procurement and distribution of office supplies and implement appropriate control procedures within ITC for purchasing and budget management.

RESPONSE: AGREE WITH COMMENT

Administration has been exploring this approach and asked that the auditor analyze the methods a typical contractor uses to make supplies available. The auditors found benefits and drawbacks to a JIT contracting system and recommended its implementation. Administration will take steps to implement the recommendation taking into account the need to have a limited range of supplies on hand since a JIT contractor delivers supplies no sooner than 24 hours. Additionally, the current supply clerk would need to be reassigned to other duties.

The implementation effort will include Administration forming an ad hoc group of representatives from various Commission offices to assess the feasibility and cost effectiveness of the system. The group will also explore whether the change to a new system should begin as a pilot in selected offices.

TARGET COMPLETION DATE: January 30, 1995 (subject to approval and availability of resources)

RECOMMENDATION:

2. Assume responsibility for supplies distributed by OIS to other offices within ITC.

RESPONSE: AGREE WITH COMMENT

It is recommended that OMS assume responsibility for OIS supplies at the time that the JIT contract is implemented.

TARGET COMPLETION DATE: January 30, 1995

B. **MASTER PROPERTY LISTING IS NOT ACCURATE**

RECOMMENDATION:

3. Revise USITC Directive 3550.1 to reflect the following changes:

a. Each Accountable Officer (AO) or his/her designee should retain copies of all 110 forms until the physical inventory is verified by the PMO. When the AO or his/her designee receives the quarterly property listings, the 110 forms should be used to provide support for the items which were deleted.

b. The PMO should coordinate the completion of the AO's quarterly physical inventory listing with a periodic (at least annual) visual inspection to ensure all items reported by each AO are present and properly recorded on the MPL.

RESPONSE: AGREE

Directive will be changed.

TARGET COMPLETION DATE: November 30, 1994

RECOMMENDATION:

3c. The 35mm cameras and printers should be included as trackable property. We also suggest that the three cameras we observed in the OMS Design Branch be rebarcoded.

RESPONSE: AGREE

35mm cameras have already been added to the trackable property inventory. Printers will be included in the end-of-year inventory as of 9/30/94 with verification to the entire inventory by 10/31/94.

TARGET COMPLETION DATE: October 31, 1994

RECOMMENDATION:

4. Inventory the MPL quarterly rather than annually for one year so that the reconciliation process with the AOs can be performed on a more timely basis. Once all the 110 forms are processed, the AO or his/her designee should promptly receive a revised property listing. This will provide the AO or his/her designee an opportunity to correct entries which may have been overlooked or entries which were not processed properly by OMS. The results of the quarterly inventory should be reported to the Chairman.

RESPONSE: **AGREE**

Implementation of this recommendation should improve the accuracy of the master property inventory since accounting for property that has been relocated will be recorded more frequently (and timely) in the master inventory and there will be fewer items to reconcile from one inventory to the next. Agency-wide inventories were initiated by the Property Management Officer during the period 1989 through 1993. However, they were not completed since there was not proper 110 documentation for some of the property that had been moved between the time that inventories were taken. More frequent inventories coupled with the training of Accountable Officers (see recommendation number 5) should provide the foundation for accurate inventories.

As described on page 11 of the audit report 61 personal computers and 3 facsimile machines were listed on the March 1994 master property listing, but were not reported by any of the Accountable Officers as being in their possession. Following this finding by the auditors the Office of Information Services has located the property and it will be accounted for in the first quarter inventory.

Assuming completion of changes to USITC Directive 3550.1 by November 30, 1994, the first quarterly inventory would take place to cover the period ending December 31, 1994. In the interim, the PMO recommends that the MPL items be rebarcoded with a different color as suggested elsewhere in this report and that process verified against a new print out by OMS and OIS.

TARGET COMPLETION DATE: Ongoing

RECOMMENDATION:

5. Provide for a property management training program for all AOs, alternates and custodians. This might be conducted in conjunction with the inventory observation procedures recommended above.

RESPONSE: **AGREE**

The PMO will personally oversee the presentation of this material to the named group.

TARGET COMPLETION DATE: Concurrent with Recommendation 4.

RECOMMENDATION:

6. Remind the AOs they are ultimately responsible for property assigned to their area and may be held financially accountable for property lost or misplaced and encourage the AOs to use the same individual from year to year, if practical.

RESPONSE: **AGREE**

The PMO will personally oversee the presentation of this material to the named group. Strong support for this position by the Office of the Inspector General, the Commission and senior management will greatly assist the PMO.

TARGET COMPLETION DATE: Concurrent with Recommendation 4.

RECOMMENDATION:

7. Consider implementing color coded barcodes to segregate trackable property from other barcoded equipment.

RESPONSE: **AGREE**

See discussion in recommendation 4.

TARGET COMPLETION DATE: Concurrent with Recommendation 4.

II. OTHER MATTERS AND SUGGESTIONS:

A. EXCESS/SURPLUS PROPERTY:

RECOMMENDATION:

We suggest OIS determine which equipment is excess, and immediately report such excess property to OMS. We further suggest that when this equipment is declared as excess by OIS, OMS transfer the equipment to the Forestville storage facility and report it to GSA.

RESPONSE: **AGREE**

OIS can and will transfer to OMS equipment that is no longer needed. According to the current Property Management Directive, only the PMO (Property Management Officer) can declare items to be excess, not OIS. The audit report should recognize that transferring unneeded equipment to OMS and declaring it as excess is an on-going/never-ending activity.

TARGET COMPLETION DATE: Ongoing

B. LAPTOP CONTROL PROCEDURES:

RECOMMENDATION:

We suggest OIS develop a log-in/out sheet for the laptops assigned to the staff within OIS as well as laptops returned for repair, upgrade, etc.

RESPONSE: **AGREE**

The Chief of OASD is maintaining a log of laptops assigned to the staff within OIS as well as laptops returned for repair, upgrade, etc.

TARGET COMPLETION DATE: Complete

C. PROPERTY PASS PROCEDURES:

RECOMMENDATION:

USITC staff and security personnel will be immediately and periodically thereafter reminded of the policies and procedures regarding the property pass currently in place.

RESPONSE: **AGREE**

TARGET COMPLETION DATE: Ongoing