



OFFICE OF THE INSPECTOR GENERAL

U.S. NUCLEAR REGULATORY COMMISSION
DEFENSE NUCLEAR FACILITIES SAFETY BOARD

Audit of the NRC's Property Management Program

OIG-20-A-17
September 30, 2020



All publicly available OIG reports (including this report) are accessible through the NRC's website at <http://www.nrc.gov/reading-rm/doc-collections/insp-gen>



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE
INSPECTOR GENERAL**

September 30, 2020

MEMORANDUM TO: Margaret M. Doane
Executive Director for Operations

FROM: Dr. Brett M. Baker */RA/*
Assistant Inspector General for Audits

SUBJECT: AUDIT OF THE NRC'S PROPERTY MANAGEMENT
PROGRAM (OIG-20-A-17)

Attached is the Office of the Inspector General's (OIG) audit report titled *Audit of the NRC's Property Management Program*.

The report presents the results of the subject audit. Following the September 2, 2020, exit conference, agency staff indicated that they had no formal comments for inclusion in this report.

Please provide information on actions taken or planned on each of the recommendations within 30 days of the date of this memorandum. Actions taken or planned are subject to the OIG follow-up as stated in Management Directive 6.1.

We appreciate the cooperation extended to us by members of your staff during the audit. If you have any questions or comments about our report, please contact me at (301) 415-5915 or Vicki Foster, Team Leader, at (301) 415-5909.

Attachment: As stated



Office of the Inspector General

U.S. Nuclear Regulatory Commission
Defense Nuclear Facilities Safety Board

OIG-20-A-17

September 30, 2020

Results in Brief

Why We Did This Review

The United States Nuclear Regulatory Commission (NRC) is mandated by law to: 1) maintain adequate inventory controls and accountability systems for property under its control, 2) continuously survey property under its control to identify excess property, 3) promptly report excess property to the Administrator of General Services, 4) perform the care and handling of excess property, and 5) transfer or dispose of excess property as promptly as possible in accordance with applicable regulations.

In fiscal years 2018 and 2019, the NRC spent \$962,000 and \$1,513,000, respectively, in total on equipment categorized as NRC property.

The NRC delegated lead responsibilities for the property management program to the Office of Administration (ADM); however, the NRC staff outside of the ADM have property management roles as well.

The audit objective was to determine if the NRC has established and implemented an efficient and effective system of internal controls for maintaining accountability and control of government property.

Audit of the NRC's Property Management Program

What We Found

The OIG found that the NRC is required to establish internal control activities that are implemented correctly, are documented, and use and communicate quality information. However, the NRC property management program has opportunities to improve data discrepancies, the adequacy of documentation, and information use and communication.

The NRC's property management program needs improvement because the internal control design necessitates modification and risk was not reassessed. Internal control design improvements will lead to enhancements in staff communication, better management of agency property, and reduction of the risk of loss and theft of government property.

What We Recommend

This report makes seven recommendations to improve control activities to create a more efficient and effective system of property management internal controls. These improved control activities will include aligning agency policy with current property management practices.

Agency management stated their general agreement with the findings and recommendations in this report.

TABLE OF CONTENTS

<u>ABBREVIATIONS AND ACRONYMS</u>	i
I. <u>BACKGROUND</u>	1
II. <u>OBJECTIVE</u>	5
III. <u>FINDING</u>	5
The Property Management Program Needs Improvement in Internal Controls	5
<u>Recommendations</u>	14
IV. <u>AGENCY COMMENTS</u>	17
 APPENDIX	
A. <u>OBJECTIVE, SCOPE, AND METHODOLOGY</u>	18
 <u>TO REPORT FRAUD, WASTE, OR ABUSE</u>	21
 <u>COMMENTS AND SUGGESTIONS</u>	21

ABBREVIATIONS AND ACRONYMS

ADM	Office of Administration
DFS	Division of Facilities and Security
FOSMB	Facilities, Operations, and Space Management Branch
GAO	United States Government Accountability Office
GSA	General Services Administration
IT	information technology
MD	Management Directive
NIST	National Institute of Standards and Technology
NRC	United States Nuclear Regulatory Commission
NSA	National Security Agency
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
P.L.	Public Law
SPMS	Space and Property Management System
TTC	Technical Training Center

I. BACKGROUND

The NRC is mandated by Public Law (P.L.) 107-217, *Codifying Title 40, United States Code- Public Buildings, Property, and Works* to: 1) maintain adequate inventory controls and accountability systems for property under its control, 2) continuously survey property under its control to identify excess property, 3) promptly report excess property to the Administrator of General Services, 4) perform the care and handling of excess property, and 5) transfer or dispose of excess property as promptly as possible in accordance with applicable regulations. P.L. 107-217 also endows the General Services Administration (GSA) with the authority to prescribe regulations in accordance with this law, to which executive agencies are required to adhere. Also, the *Federal Personal Property Act of 2018* requires executive agencies to establish dollar value accountability thresholds for property.

The NRC's Property Management Program

Responsibilities, Program Policy, and Roles

The NRC delegated lead responsibilities for the property management program to the Office of Administration (ADM), in Management Directive (MD) 13.1, *Property Management*.¹ Within the ADM, the Division of Facilities and Security (DFS) is responsible for overall implementation of the property management program. These responsibilities are divided between the Facilities, Operations, and Space Management Branch (FOSMB) and the Multimedia, Graphics, and Storage Distribution Branch (the warehouse). The FOSMB oversees NRC equipment through tagging and inventory practices, provides guidance to NRC personnel, and manages the NRC's property tracking system, the Space and Property Management System (SPMS). The warehouse is involved in the receipt, storage, transfer, and disposal of NRC property.

NRC staff outside of the DFS have property management roles as well. The NRC offices assign property custodians agency-wide to implement aspects of receipt, management, and disposal of NRC property. Each

¹ MD 13.1 and the accompanying handbook were approved on December 31, 2015.

office may assign one or more property custodians, depending on the size of that office and its assigned property. Property custodians assign property to NRC personnel, coordinate property transfers and moves, and manage equipment in the SPMS. In addition, the Office of the Chief Information Officer (OCIO) staff are responsible for managing the NRC's information technology (IT) property.

Processes within the Property Management Program

The NRC's property management program includes the receipt, management, and disposal processes. The program begins with the property receipt process. After receipt, the staff maintain the property by managing it until some type of final disposition is used to remove items from the NRC's ownership.

Property Receipt Process

Receipt of property begins when an NRC employee orders property through an approved method, such as by contract or purchase card. Once ordered, the purchaser informs the FOSMB and the warehouse of incoming property. The warehouse receives, inspects, and tags the property according to NRC guidance. Then, the FOSMB is made aware of the items to be entered in the SPMS.

The NRC's property receipt process includes assigning and adhering blue or red barcoded tags on items. Images 1 and 2 are examples of the tags.

Image 1: Blue tag example



Source: NRC

Image 2: Red tag example



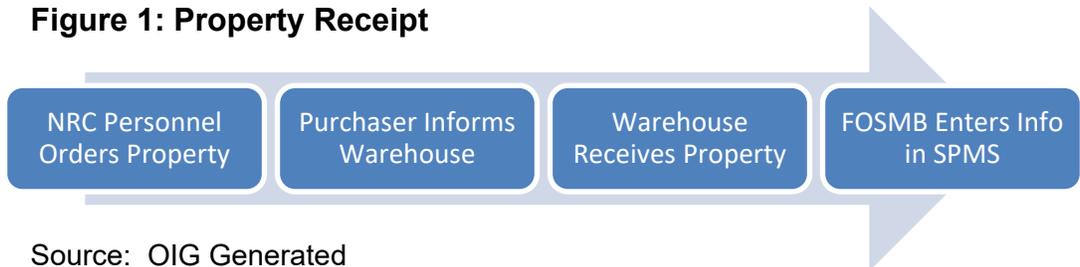
Source: NRC

Blue tags are assigned to items tracked in the SPMS. Items receive a blue tag when they either meet or exceed the threshold amount, or if they are deemed sensitive. In fiscal year 2018, the NRC increased the threshold for items assigned a blue tag from \$1,000 to \$2,500. Also, as of December 2018, sensitive items included: rangefinders, electronic reading

devices, night vision items, firearms and related devices, and safety harnesses/halos.

Red tags are optionally assigned to items managed at the office level by the property custodian but are not tracked in the SPMS. Red tag items fall below the \$2,500 threshold and are deemed non-sensitive. Figure 1 illustrates the property receipt process.

Figure 1: Property Receipt



Source: OIG Generated

Property Management Process

Once the item is tagged, the property custodian assumes control of managing the property. For blue tagged property, the SPMS is then updated to show the end-user of the property (if assigned), any transfers of control of the property, and any movement of the property's location. Management of NRC property also includes periodic inventories to ensure the accuracy of the NRC's tracking in the SPMS. Figure 2 illustrates the property management process.

Figure 2: Property Management



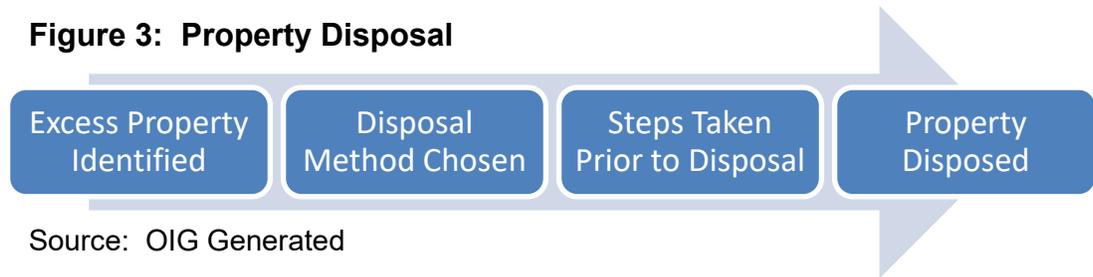
Source: OIG Generated

Property Disposal Process

The final part of the NRC's property management program is disposal. Disposal begins with property identified as excess. The NRC is required

to report all excess property to the GSA annually. The NRC then selects a disposal method, such as selling to another agency or to the public, donating, recycling, or destruction of the item. Some items require pre-disposal procedures such as removing freon from refrigerators or sanitizing IT equipment. Finally, the property is disposed of, with the GSA serving as a potential intermediary. Figure 3 illustrates the property disposal process.

Figure 3: Property Disposal



SPMS and Remedy

The SPMS is the NRC's official property tracking system. It consists of four modules, one of which is the property module that provides property management functions. The property management module in the SPMS tracks all sensitive NRC property and all property at or above \$2,500. The goal of the property module is to ensure that all properties monitored by the NRC under its property management program are compliant with the federal property management policies and regulations, as well as to safeguard against waste, fraud, abuse, and mismanagement.

"Remedy" is the system that the OCIO uses to track the NRC's IT assets. Per the *NRC IT Logistics Index*, the criteria for inputting IT asset items into Remedy are 1) cost at or above \$2,500, or 2) capability of containing agency information and data. Due to the risk of theft, certain OCIO project managers have opted to track IT assets in Remedy that fall below these criteria, including the tracking of monitors and televisions, external DVD players, and wireless access points. The IT assets that overlap and are tracked in both the SPMS and Remedy are IT property items at or above \$2,500. In fiscal years 2018 and 2019, the NRC spent \$962,000 and \$1,513,000, respectively, in total on equipment categorized as the NRC property.

II. OBJECTIVE

The audit objective was to determine if the NRC has established and implemented an efficient and effective system of internal controls for maintaining accountability and control of government property. The report appendix contains information on the audit scope and methodology.

III. FINDING

Opportunities exist for improving control activities to result in a more efficient and effective system of property management internal control.

A. The Property Management Program Needs Improvement in Internal Controls

The NRC is required to establish internal control activities that are implemented correctly, are documented, and use and communicate quality information. However, the NRC property management program has opportunities to improve data discrepancies, the adequacy of documentation, and information use and communication. The NRC's property management program needs improvement because the internal control design necessitates modification and risk was not reassessed. Internal control design improvements will lead to enhancements in staff communication, better management of agency property, and reduction of the risk of loss and theft of government property.

What Is Required

Federal standards, regulations, and agency policy stipulate that the NRC's property management program is required to establish internal control activities that are implemented correctly, documented, and appropriately use and communicate quality information.

Federal Standards and Regulations

The United States Government Accountability Office's *Standards for Internal Control in the Federal Government* (GAO Green Book) requires control activities, such as reconciliations, to achieve its objectives and for control activities to be implemented correctly.

The GAO Green Book also requires documentation of internal controls, transactions, and significant events. It establishes that agencies need to use care in the use and communication of quality information, such as pulling relevant data from reliable sources, processing data into quality information, and communicating quality information throughout an agency. Quality information is appropriate, current, complete, accurate, accessible, and provided on a timely basis.

Additionally, the GSA Financial Management Regulation Bulletin B-34, *Disposal of Federal Electronic Assets*, refers agencies to follow the National Institute of Standards and Technology (NIST) Special Publication 800-88, Revision 1: *Guidelines for Media Sanitization*, as part of the property disposal process. The NIST 800-88 details the documentation requirements when performing media sanitation.

Agency Policy

MD 13.1 outlines the program policies, practices, roles, and responsibilities of the property management program.

What We Found

The NRC's property management program had data discrepancies and could improve documentation, as well as information.

Inventory Data Discrepancies Despite Reconciliation

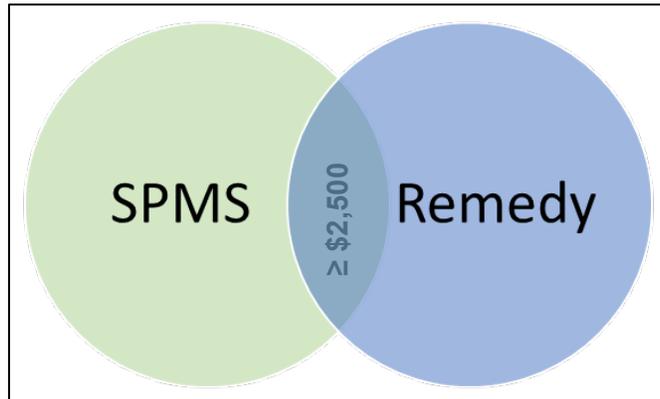
Discrepancies exist between the SPMS and Remedy for the property tracked in both systems. Since the SPMS and Remedy are not connected, the FOSMB and the OCIO conduct manual property reconciliations between the two systems. The purpose of the reconciliation is to provide consistency of information between the two

systems; however, the FOSMB limits the reconciliation to only laptops valued at or above \$2,500. As of March 2020, there were 389 IT property items at headquarters, at or above \$2,500 in both systems. For the same overlapping 389 property items, there were several discrepancies:

- 85 items had different tag numbers.
- 95 items had distinct serial numbers.
- 324 items had unmatched locations.
- 124 items had varying costs.

Figure 4 illustrates the overlap between the IT assets tracked in the SPMS, the NRC's official system for tracking property and Remedy, the system that the OCIO uses to track the NRC's IT assets.

Figure 4: SPMS and Remedy Venn Diagram



Source: OIG Generated

Opportunities to Improve Documentation

The NRC has opportunities to improve documentation to support changes to the list of sensitive items, benchmarking that supports the threshold increase, and media sanitation for disposed property.

Documentation of changes to the list of sensitive items needs improvement. The FOSMB does not document management decision-making of significant events such as changes to the sensitive item list, which impacts items that are tracked under the NRC's property management program via the SPMS. Once changes are made to the sensitive item list, the FOSMB also does not maintain an archive of prior versions of the sensitive item list.

The benchmarking that supports the management decision to increase the threshold for tracking property in the SPMS needs better documentation. The FOSMB performed benchmarking with other federal agencies to support the rationale for increasing the threshold for tracking property in the SPMS. Five federal agencies responded to the FOSMB's outreach for benchmarking, with four agencies replying verbally and one agency responding via email.

In the property disposal transaction activity, the agency should improve IT asset documentation to better conform with NIST 800-88. NIST 800-88 is used in the process of disposing federal electronic assets. The DFS limited the operating procedure for sanitizing electronic assets for property disposal to only address hard drives. In addition to hard drives, NIST 800-88 specifies media sanitation for the following: printer and facsimile ribbons and drums, disks, flash memory, memory devices, phones, mobile computing devices, networking devices, office equipment, and others.

Additionally, NIST 800-88 specifies the minimum level of detail that must be documented when performing media sanitation and provides a sample Certificate of Sanitation containing all the necessary details required in NIST 800-88. The NRC's documentation for media sanitation did not consistently have the following elements:

- Source of media (i.e. end user).
- Model and manufacturer.
- Property tag number.
- Media sanitation and verification dates.
- Name, position, and title of personnel performing the media sanitation and verification.
- Post-media sanitation destination.

Information Use and Communication Can be Enhanced

The NRC can improve the use of information provided to them and provide accurate information in communication.

As noted above, only one agency provided the NRC with a documented email reply for use toward the benchmarking supporting the threshold increase for tracking property. That agency indicated that pilferable property and equipment with the ability to store personally identifiable information are tracked through their property management program

regardless of the tracking threshold. However, the NRC mirrors neither of these conditions in the tracking of property under the property management program via the SPMS.

Finally, the FOSMB maintains and communicates the list of the NRC's property custodians on the NRC's internal website; however, the list needs improvement. The OIG found discrepancies such as listing a property custodian no longer performing custodial duties and assigning property custodians for accounts without property items.

Why This Occurred

The NRC's property management program internal controls need improvement because 1) the internal control design should be modified, and 2) the NRC proceeded with policy changes without self-reassessing the risks.

Internal Control Design Needs Modification

Accountable Property Policy is Not Aligned with Practices

The definition of accountable property² in MD 13.1, and the practices to account for property, do not align. The definition of accountable property encompasses both blue and red tagged items. However, the practices to account for property are limited to blue tagged items that are tracked in the SPMS. These practices include:

- Physical inventory review by the FOSMB.
- Recertification of inventory by property custodians.
- Daily (undocumented) reviews by the FOSMB.
- Submitting NRC Form 395, *Report of Property for Survey*.³

² Accountable property is defined as any equipment, excluding furniture and supplies, that is complete in itself, is of a durable nature with an expected life of 2 years or more, does not ordinarily lose its identity or become a component of another article, and is not consumed in its useful life. Accountable property is either classified as "sensitive" or "non-sensitive."

³ Per MD 13.1, NRC Form 395 is used to determine financial liability for lost or stolen equipment.

- Property clearance on NRC Form 270, *Separation Clearance*.⁴

One property custodian indicated their confusion about their responsibility for red tagged property that is not tracked in the SPMS and expressed the need for clarity in the guidance.

According to MD 13.1, the OCIO is responsible for the receipt, management, and disposal of IT assets; however, IT assets valued under \$2,500⁵ or that are not sensitive⁶ are not tracked or managed under the property management program in the SPMS, the NRC's official system for tracking property. Instead, IT assets valued under \$2,500 or that are not sensitive are only being tracked in a non-property program system, Remedy; the system that the OCIO uses to track the NRC's IT assets.

MD 13.1 allows offices to optionally track non-sensitive property under \$2,500, but as noted above, those items are not accounted for in the SPMS. Confirmed by the FOSMB, those items are outside of the NRC's property management program and, accordingly, are not subject to the stipulations of the program. Further, OCIO management indicated that IT property below the threshold that is not sensitive would not be reported through NRC Form 395, if lost. Four property personnel opined that IT assets should be tracked under the NRC's property management program.

This practice of tracking IT assets outside of the agency property management program contrasts with the internal procedures of the National Security Agency (NSA) and the GSA. According to the *NSA/Central Security Service Policy Manual 9-12*, the NSA defines accountable property under the property management program to include desktop computers, laptops, handheld computers, personal digital assistants, televisions, and servers. Additionally, the NSA identifies pilferable items as property subject to theft for resale, personal use, or personal possession. GSA Order OAS 7800.13, *Management of the General Services Administration's (GSA) Internal Personal Property*,

⁴ In order to complete NRC Form 270, separating employees are required to provide signed proof of property clearance by the FOSMB.

⁵ As of March 2020, the NRC had ownership of over 27,000 assets valued under \$2,500 that were being tracked in Remedy (excluding the regions or Technical Training Center (TTC)), including IT assets such as laptops, desktops, external hard drives, flash drives, cell phones, servers, and televisions.

⁶ As of January 2019, cell phones, laptops, and tablets were removed from the sensitive item list.

identifies the Office of GSA IT with responsibilities in the management of IT assets under the property management program including the management of pilferable items. The document lists the following as pilferable items: laptops, cell phones or other mobile devices, cameras, and audio/visual equipment including televisions.

Ineffective Practices in the NRC's Property Management Program

There are ineffective practices for receipt, tagging, and reporting of stolen property items. First, property receipt is not centralized. According to MD 13.1, property can be received by both warehouse personnel and directly to property custodians. Second, the NRC allows property to be tagged by warehouse personnel and property custodians. Lastly, according to MD 13.1, NRC Form 395 and NRC Form 135, *Security Incident Report*, are both separately directed to be filled and submitted to report stolen NRC property. Despite direction to use both forms, the routing of the forms throughout the agency to inform and address the theft are not the same.

Inventory Management Information Needs to be Readily Available

The duties for NRC property personnel do not match the level of communication and access to information that would enhance the effectiveness of their jobs. There is no automatic workflow that feeds acquisition information into the SPMS for use by those with property responsibilities. Additionally, the SPMS does not have the system capabilities to facilitate aspects of property receipt and disposal.

Property custodians in NRC headquarters are responsible for items in the regions and the TTC, although regional property custodians have been assigned this responsibility. The OIG identified seven property custodians at headquarters that are responsible for property in the regions or the TTC. A property custodian explained that items from the property account were moved from headquarters to a regional office without their knowledge and noted the agency would need to approve travel to the region to perform periodic reviews of those items, but considered it unlikely that such requests would be approved.

Finally, contract specialists are required to notify contracting officers about damages, losses, or destruction of government property by a contractor, but they are not required to notify the FOSMB.

Property Management Program Control Activities Need Updating

The NRC's property management program control activities need updating to incorporate digitization to improve efficiency. NRC forms used in the property management program are signed and maintained in hard copy. Seven property custodians articulated the need for the property management program to modernize through digitization, automation, or other upgrades.

Additionally, tracking of the initial issuance of tags and tags for disposed property, are not digitized. The use of only hard copy tracking at initial issuance and disposal contributes to the inability to perform a reconciliation between issued and disposed tags.

Policy Changes Made Without Self-Reassessing Program Risks

The GAO Green Book states that risks are to be reassessed to identify, analyze, and respond to significant changes; however, the NRC did not reassess risk after policy changes⁷ to the property management program. The NRC's policy changes reduced the number of items that are tracked in the SPMS and accordingly, through the NRC's property management program. The FOSMB noted the increase to the threshold reduced the total number of items tracked in the SPMS from 9,329 to 2,812, resulting in an approximately 70 percent reduction of items tracked through the NRC's property management program. All property custodians that met with the OIG confirmed that the policy changes in the NRC's property management program caused a reduction of property responsibility. Despite this change resulting in less property tracked by the NRC's property management program, there was no change to the agency's risk assessment for the internal control activities⁸ over the property management program.

⁷ Policy changes refer to the 1) increase in the dollar value threshold for tracking items in the SPMS, and 2) removal of tablets, cell phones, and laptops from the sensitive items list. The NRC indicated these policy changes were an attempt to reduce redundancies between the ADM and the OCIO and improve efficiency.

⁸ In compliance with the Office of Management and Budget (OMB) Circular A-123, Appendix A, *Management of Reporting and Data Integrity Risk*.

Additionally, the NRC discusses potential agency-wide risks during the Quarterly Performance Review meetings to address the requirements of the *OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*. However, risk concerns were not identified for the property management program in the quarterly meetings discussing potential risks to the agency for fiscal years 2018 and 2019.

Why This Is Important

Internal control design improvements will lead to better staff communication, better management of agency property, and reduce the risk of loss and theft of governmental property.

Needed Communication Improvements

The FOSMB, warehouse personnel, and property custodians are not aware of property items that have been ordered and are expected to be delivered and received by the agency. These differing property staff have all indicated that communication with the purchasers of property items need improvement. The results of an OIG survey revealed that, of the 16 purchase cardholders, contracting officers, and contracting specialists who made tangible property purchases recently, only half communicated their purchases to property personnel.

More Consistent Management Needed

There are several inconsistent property management practices that need to be improved. There is no consistency in the storage of servers within the warehouse. In the warehouse, the OIG observed servers stored both within and without the locked, caged area. Although the servers were not consistently stored, the items were contained within a locked, secured building. Also, property custodians use systems other than the SPMS to track property items. Finally, property custodians are not consistently aware of their responsibilities under the property clearance procedures for separating employees.

Risk of Loss and Theft

Finally, without internal control design improvements for overall property management, the NRC property has a higher risk for loss and theft. During fiscal year 2019, laptops that did not meet the criteria for tracking through the property management program were stolen or missing, including 60 laptops unaccounted for in the property management program totaling nearly \$100,000. According to staff, these 60 laptops were tracked in Remedy, and the loss was identified and reported. In addition, staff indicated the loss reporting process staff followed was not documented under the property management program, and as such, was not required.

Property that is more pilferable is inherently more susceptible to loss and theft. As an example, an employee was cleared by the FOSMB to leave the NRC through the separation clearance process, yet the employee was still in possession of an NRC laptop. The property clearance in the separation process requires a review of the SPMS to ensure property is not still issued to the separating employee; however non-sensitive IT property under the threshold amount is not included in the SPMS. Another employee that separated from the NRC may have left with a government cell phone. The phone was eventually found, but the NRC needed to go through the lost property process before the phone was located.

Recommendations

The OIG recommends that the Executive Director for Operations:

1. Modify the definition of accountable property to align with the agency's procedures for accounting for property under the property management program. This encompasses defining and addressing the accountability of items not tracked in the Space and Property Management System (SPMS) including pilferable property.
2. Include the receipt, management, and proper disposal of IT assets planned and currently tracked in Remedy within the property management program. This may include, but is not limited to actions such as:

- a. Updating MD 13.1, *Property Management* to designate Remedy as the property tracking system specifically for IT assets;
 - b. Updating MD 13.1 to include the *NRC IT Logistics Index* policy for inputting IT assets greater than or equal to \$2,500, or which contain NRC information or data within the property management program;
 - c. Specify in the updated MD 13.1, the use of unique identifiers to track and manage those IT assets within the NRC property management program;
 - d. Specify in the updated MD 13.1, the methods and documentation of periodic inventories using unique identifiers within the NRC property management program;
 - e. Provide appropriate acquisition information in excess property reporting for IT assets that contain NRC information or data; and,
 - f. Ensure IT assets in the property disposal process comply with documenting media sanitation in accordance with the National Institute of Standards and Technology (NIST) Special Publication 800-88, Revision 1: *Guidelines for Media Sanitization* (NIST 800-88).
3. Update and implement property receipt and tagging processes and procedures for the Facilities, Operations, and Space Management Branch (FOSMB), warehouse personnel, and property custodians, that will address:
 - a. Decentralized property receipt and tagging functions; and,
 - b. Providing property staff with acquisition information such as the cost and shipping information necessary to perform their property-related duties through automated notification.
 4. Limit the regional and the Technical Training Center (TTC) property item assignments to regional property custodians.
 5. Consolidate the notification of stolen NRC property to one NRC form.

6. Digitize the property process to facilitate reconciliation and property management workflow.
7. Self-reassess the risk to the agency for the policy changes of the tracking threshold increase and removal of cell phones, laptops, and tablets from the sensitive items list, for loss or theft of property items.

IV. AGENCY COMMENTS

An exit conference was held with the agency on September 2, 2020. Agency management reviewed and provided comments to the discussion draft version of this report which the OIG incorporated, as appropriate. Subsequently, agency management stated their general agreement with the findings and recommendations in this report and opted not to provide formal comments.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The audit objective was to determine if the NRC has established and implemented an efficient and effective system of internal controls for maintaining accountability and control of government property.

Scope

This audit focused on the implementation of the NRC's property management program. We conducted this performance audit at the NRC headquarters (Rockville, MD) from November 2019 to June 2020. We reviewed records from fiscal years 2018 and 2019, as well as the current NRC practices and data related to tangible property. The audit scope was limited to remove the NRC regional offices and a physical inventory review from the scope due to COVID-19 transmissibility and associated restrictions.

Internal controls related to the audit objective were reviewed and analyzed. Specifically, the OIG reviewed the components of control environment, risk assessment, control activities, information and communication, and monitoring. Within those components, the OIG reviewed the principles of demonstrating commitment to integrity and ethical values; exercising oversight responsibility; establishing structure, responsibility, and authority; recruiting, developing, and retaining competent individuals; evaluating performance; defining objectives and risk tolerances; identifying, analyzing, and responding to risk; assessing fraud risk; identifying, analyzing, and responding to change; designing control activities; designing activities for the information system; implementing control activities through policies; using quality information; communicating internally and externally; performing monitoring activities; and evaluating issues and remediating deficiencies.

Methodology

Throughout this audit, the OIG reviewed relevant criteria and guidance. The OIG's document review included:

- Public Law 107-217, *Codifying Title 40, United States Code- Public Buildings, Property, and Works*.
- Public Law 115-419, *Federal Personal Property Act of 2018*.
- Executive Order 12999, *Educational Technology: Ensuring Opportunity for All Children in the Next Century*.
- Executive Order 13834, *Efficient Federal Operations*.
- United States Government Accountability Office, *Standards for Internal Control in the Federal Government*.
- General Services Administration, Financial Management Regulation Bulletin B-34, *Disposal of Federal Electronic Assets*.
- National Institute of Standards and Technology Special Publication 800-88, Revision 1: *Guidelines for Media Sanitization*.
- Management Directive 13.1, *Property Management*.
- Yellow Announcement YA-18-0033, *Increase in Controlled Equipment Threshold*.

The OIG also interviewed staff that perform property management duties throughout the NRC. These interviews included key staff in the ADM responsible for the NRC's property management program and the NRC's warehouse; staff from various parts of the OCIO; and several property custodians throughout the NRC. To complement the interviews, the OIG sent a survey to NRC purchasers to get information from those that buy tangible property. The OIG also received walkthroughs of the ADM and the OCIO information systems used to track property. To understand the interconnections between the SPMS and other related systems, the OIG met with personnel knowledgeable of enterprise architecture and reviewed documentation in support of it. During the audit, the OIG compared data from Remedy and the SPMS to see how accurate the information was for property that was in both systems.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our finding and conclusions based on our audit objective. We believe that the evidence obtained provides a

reasonable basis for our finding and conclusions based on our audit objective.

Throughout the audit, auditors considered the possibility of fraud, waste, and abuse in the program.

The audit was conducted by Vicki Foster, Team Leader; Tincy Thomas de Colón, Audit Manager; Jimmy Wong, Audit Manager; George Gusack, Senior Auditor; William Chung, Senior Auditor; Tonny Tang, Auditor; Megan Tate, Management Analyst; Phillippe Mathis, Student Intern; and Bobbie Castillo, Student Intern.

TO REPORT FRAUD, WASTE, OR ABUSE

Please Contact:

Email: [Online Form](#)

Telephone: 1-800-233-3497

TTY/TDD: 7-1-1, or 1-800-201-7165

Address: U.S. Nuclear Regulatory Commission
Office of the Inspector General
Hotline Program
Mail Stop O5-E13
11555 Rockville Pike
Rockville, MD 20852

COMMENTS AND SUGGESTIONS

If you wish to provide comments on this report, please email the OIG using this [link](#).

In addition, if you have suggestions for future OIG audits, please provide them using this [link](#).