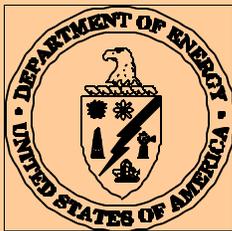


**INSPECTION
REPORT**

**INSPECTION ON THE MANAGEMENT
OF EXCESS PERSONAL PROPERTY
AT LAWRENCE LIVERMORE
NATIONAL LABORATORY**



**U.S. DEPARTMENT OF ENERGY
OFFICE OF INSPECTOR GENERAL
OFFICE OF INSPECTIONS**

NOVEMBER 2001



Department of Energy
Washington, DC 20585

November 8, 2001

MEMORANDUM FOR THE MANAGER, OAKLAND OPERATIONS OFFICE

FROM: Sandra L. Schneider /s/
Assistant Inspector General for Inspections
Office of Inspector General

SUBJECT: INFORMATION: Report of "Inspection on the Management of Excess Personal Property at Lawrence Livermore National Laboratory"

BACKGROUND

Lawrence Livermore National Laboratory (Livermore) has a personal property inventory of over 53,500 line items with an acquisition value of over \$823 million. It generates thousands of excess personal property items each year. In FY 2000, for example, Livermore exceeded over 12,000 items of personal property with an acquisition value of over \$59 million. These items were disposed of through reutilization, donations, and public sales. Our inspection evaluated the economy and efficiency of Livermore's management of excess personal property.

RESULTS OF INSPECTION

The inspection found the following:

- Livermore has complied with Chapter 109, Title 41, Code of Federal Regulations, "Department of Energy Property Management Regulations" (DOE-PMR), in the area of personal property storage and the screening of personal property suspected of contamination by hazardous or radiological materials.
- Contrary to the DOE-PMR, Livermore's program officials have not performed high risk reviews of personal property items before the items are processed into Livermore's reutilization and disposal program. Program officials who have the expertise and are the best qualified to identify nuclear-related and proliferation-sensitive high risk personal property items have not been conducting high risk reviews, and, contrary to the DOE-PMR, program officials have not been responsible for attaching certification tags indicating that the items are high risk and require special handling and disposal. We found that these requirements were not included in Livermore's approved Property Management Policies and Procedures.

- Livermore has not recorded all “reportable” excess personal property items in the Department of Energy’s (DOE) Energy Asset Disposal System (EADS) for DOE-wide reutilization screening. As a result, DOE organizations that may have valid requirements for the items are not always aware that the items are available.
- Personal property items listed in EADS transfer automatically to the Federal Disposal System (FDS) for screening by Federal and State agencies if the items are not utilized by DOE organizations. Since Livermore has not recorded all of their “reportable” excess personal property items in EADS, Federal and State agencies are not always aware that the items are available.
- Livermore has sold personal property items listed in EADS and FDS before the required screening period for the items had expired. Consequently, these items would not have been available had there been a request for the items from DOE and other Federal and State organizations after the items had been sold.

MANAGEMENT REACTION

The Oakland Operations Office concurred with all report recommendations.

cc: Administrator, National Nuclear Security Administration
Director, Office of Management, Budget and Evaluation
Director, Office of Procurement and Assistance Management
Director, Policy and Internal Control Management, NA-66
Leader, Audit Liaison Team, CR-2

INSPECTION ON THE MANAGEMENT OF EXCESS PERSONAL PROPERTY AT LAWRENCE LIVERMORE NATIONAL LABORATORY

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Overview

INTRODUCTION AND OBJECTIVE

Lawrence Livermore National Laboratory (Livermore) is a National Nuclear Security Administration (NNSA) laboratory operated by the University of California for the Department of Energy (DOE). It has a personal property inventory of over 53,500 line items with an acquisition value of over \$823 million.

Livermore generates thousands of excess personal property items each year. In FY 2000, for example, Livermore exceeded over 12,000 items of personal property with an acquisition value of over \$59 million. Livermore disposed of the items through reutilization, donations, and public sales.

The purpose of our inspection was to evaluate the economy and efficiency of Livermore's management of excess personal property. The objective of our inspection was to determine whether Livermore's practices for the storage and disposal of excess personal property, including "high risk" personal property, are consistent with DOE policies and procedures and with Livermore's Management and Operating contract. As part of this objective, we reviewed Livermore's compliance with DOE's policy for screening excess personal property for hazardous and radioactive materials to prevent the inadvertent release of contaminated personal property to the public.

OBSERVATIONS AND CONCLUSIONS

Our inspection found that Livermore has complied with Chapter 109, Title 41, Code of Federal Regulations, "Department of Energy Property Management Regulations" (DOE-PMR), in the area of personal property storage and the screening of personal property suspected of hazardous or radiological contamination. However, our inspection found some weaknesses in Livermore's compliance with the provisions of the DOE-PMR regarding high risk personal property, reutilization screening of personal property, and public sales of surplus personal property. Specifically, we found that:

- Contrary to the DOE-PMR, Livermore's program officials have not performed high risk reviews of personal property items before the items are processed into Livermore's reutilization and disposal program. Program officials who have the expertise and are the best qualified to identify nuclear-related and proliferation-sensitive high risk personal property items have not been conducting high risk reviews, and, contrary to the DOE-PMR, program officials have not been responsible for attaching certification tags indicating that the items are high risk and require special handling and disposal. We found that these requirements were not included in

Livermore's approved Property Management Policies and Procedures.

- Livermore has not recorded all “reportable” excess personal property items in the Energy Asset Disposal System (EADS) for DOE-wide reutilization screening. As a result, DOE organizations that may have valid requirements for the items are not always aware that the items are available.
- Personal property items listed in EADS transfer automatically to the Federal Disposal System (FDS) for screening by Federal and State agencies if the items are not utilized by DOE organizations. Since Livermore has not recorded all of their “reportable” excess personal property items in EADS, Federal and State agencies are not always aware that the items are available.
- Livermore has sold personal property items listed in EADS and FDS before the required screening period for the items expired. Consequently, these items would not have been available had there been a request for the items from DOE and other Federal and State organizations after the items had been sold.

Details of Findings

Property Management Policies and Procedures

DOE's Management and Operating (M&O) contract with the Regents of the University of California requires Livermore to comply with the provisions of the DOE-PMR. Clause 6.12, "Property," of Livermore's M&O contract states that Livermore shall maintain and administer a property management system in accordance with applicable Federal and DOE Property Management Regulations.

The DOE-PMR, Section 109-1.5201, "Policy," requires contractors to establish in writing a property management system consistent with the "terms of the contract; prescribed policies, procedures, regulations . . . and directions from the contracting officer." The DOE-PMR also requires the cognizant DOE contracting officer to review and approve in writing property management systems that contractors have established.

Consistent with the DOE-PMR, Livermore has established a property management system that was last approved by the Oakland Operations Office (Oakland) on August 23, 1999. The system is outlined in Livermore's "Property Management Policies and Procedures" manual dated August 4, 1999. The manual includes guidelines for managing high risk personal property and for the storage and disposal of excess personal property.

High Risk Personal Property Program

DOE-PMR High Risk Requirements

The DOE-PMR at Section 109-1.5302, "Policies," states that "High risk personal property will be managed throughout its life cycle so as to protect public and DOE personnel safety and to advance the national security and the nuclear nonproliferation objectives of the U.S. Government." The DOE-PMR also states that items of high risk personal property "may present significant risks to the national security and nuclear nonproliferation objectives of the Government which must be evaluated." In addition, the DOE-PMR states that "Organizations will identify high risk property and control its disposition to eliminate or mitigate such risks." Additional high risk requirements of the DOE-PMR are listed in Appendix B.

The DOE-PMR provides that contractor property management programs can deviate from the life cycle control requirements for high risk personal property. The DOE-PMR states that when Heads of Field Organizations approve a contractor program containing controls for high risk personal property other than the life cycle control consistent with the DOE-PMR, the decision shall

be justified in writing and a copy sent to the “Deputy Assistant Secretary for Procurement and Assistance Management.”

Livermore’s High Risk Procedures are not in Complete Compliance the DOE-PMR

Livermore’s procedures for identifying high risk personal property, which were approved by Oakland, are not in complete compliance with the DOE-PMR, since the procedures do not specifically require program officials to conduct high risk reviews of personal property items before the items are processed into Livermore’s reutilization and utilization/disposal program.

Livermore conducts high risk reviews of personal property after the items have become excess to program officials (property users) and the items have been transferred for reutilization or disposal to Livermore’s excess personal property storage yard.¹ The Livermore Donation, Utilization, and Sales Group (DUS) property disposal personnel conduct the high risk reviews when the items arrive at the DUS storage yard. The disposal personnel physically examine each item and compare the item’s characteristics with those listed in high risk reference materials² to determine whether it is high risk. On occasion, the disposal personnel will contact program officials for additional information regarding the characteristics of an item and how the item had been used. Otherwise, they would have no contact with program officials with regard to the identification of high risk personal property items.

Contrary to the DOE-PMR, Livermore procedures do not require program officials, who have the expertise and are the best qualified to identify nuclear-related and proliferation-sensitive high risk personal property items, to conduct high risk reviews before the items are transferred for reutilization or disposal. Also, contrary to the DOE-PMR, Livermore procedures do not require program officials to be responsible for attaching certification tags indicating that the items are high risk and require special handling and disposal. In addition, Livermore procedures do not require program officials to certify that the items have been stripped of all characteristics which have caused the items to be nuclear-related or proliferation-sensitive, or to provide the “property disposal office” adequate instructions for stripping the items. Program officials told us that DUS determines whether personal property items sent to the DUS storage yard are high risk. They also said that they did not know the process or criteria DUS uses to determine if the items are high risk.

¹ Operated by the Livermore’s Donation, Utilization, and Sales Group.

² High risk reference materials include the Nuclear Suppliers Group Trigger List and the Dual Use List described in the International Atomic Energy Agency Information Circular.

**Personal Property
Reutilization
Screening Program**

**Reutilization
Screening
Requirement**

Livermore is required by the DOE-PMR to identify and record all “reportable” excess personal property in EADS for DOE-wide reutilization screening. While in EADS, if the personal property is not utilized by DOE organizations, it transfers automatically to the FDS for screening by Federal and State agencies. As such, personal property that Livermore has not recorded in EADS would not, in turn, appear in FDS. Consequently, DOE organizations, other Federal agencies, and State agencies that may have valid requirements for the personal property would not be aware that the personal property was available.

**Required Number of
Days for Reutilization
Screening**

According to DOE property regulations, organizations have 15 days to screen personal property recorded in EADS. After 15 days in EADS, the property becomes surplus to DOE and the personal property then transfers automatically to FDS for screening by Federal agencies for a period of 21 days. After 21 days, the personal property is then made available for screening by State agencies for an additional 21 days. The total screening period is 57 days. After 57 days, the personal property is considered surplus to Federal and State agencies and contractors can dispose of the personal property. If the excess personal property is an instrument or laboratory equipment that falls under DOE’s Energy Related Laboratory Equipment (ERLE) grant program for colleges and universities, an additional 19 days of screening is added to the 57 days, bringing the total screening period to 76 days. ERLE screening occurs at the conclusion of the 15-day DOE screening period.

**Reportable Excess
Personal Property
Not Recorded in
the EADS**

Livermore, in some instances, did not record all “reportable” excess personal property in EADS for DOE-wide reutilization screening. Our review of Livermore’s excess personal property history report from January to May 2000, disclosed that Livermore had over 3,500 items of excess personal property. Livermore was not required to record the vast majority of the over 3,500 items in EADS because the items had been classified as “scrap” or had exceeded their service life. However, 246 items were “reportable” and should have been recorded in EADS. But our review found that Livermore had not recorded all 246 items in EADS. Of the 246 items, we randomly selected 142 items and reviewed the EADS for these items. We found that only 45 of the 142 items were recorded in EADS, leaving 97 items missing from the EADS. Livermore property officials could not provide any evidence that the 97 missing items were recorded. They said that the items were not recorded in the EADS because they believed that there was a mix-up in the record keeping of the items by the two employees responsible for recording the items in the EADS. Listed below are examples of the 97 items that were not recorded in the EADS:

<u>Item</u>	<u>Model</u>	<u>Acquisition Value</u>	<u>Condition</u>
Printer Digital	XL-7700	\$22,617	Useable
Control Disk Storage	9335A01	\$18,734	Useable
Digitizer Transient	R7912	\$42,230	Repairable
Computer-Series	A1950B	\$23,225	Useable
Server Gateway	AGS	\$28,795	Useable

These items were never made available to DOE and other Federal and State agencies as intended by the DOE-PMR. The items were sold at public sales.

**Sales of Surplus
Personal Property****Personal Property
Sold Before the
Screening Period
Had Expired**

Livermore has disposed of excess personal property items through public sale before the required reutilization screening periods for EADS and FDS had expired. Specifically, of the 45 items discussed previously that were recorded in EADS, Livermore had disposed of 43 items through public sales before the required reutilization screening periods of the EADS and the FDS had expired. As a result, these items would not have been available had there been a request for the items from Federal and State agencies after the items had been sold by Livermore. A Livermore property supervisor told us that he believes the items

were sold prior to the expiration of the reutilization screening periods in order to create additional storage space.

Examples of the 43 items are listed below:

<u>Item</u>	<u>Model</u>	<u>Entered In</u> <u>EADS</u>	<u>Date</u> <u>Sold</u>	<u># of Days</u> <u>Screened</u>
Printer Video	TP6490	01/03/00	02/17/00	44
Computer	PE40A-A9	01/07/00	01/21/00	14
X-ray Unit	M83135R14	01/07/00	01/25/00	18
Copy Machine	1065	01/10/00	02/17/00	37
Analyzer-Image	2001	02/29/00	03/16/00	16

RECOMMENDATIONS

We recommend that the Manager, Oakland Operations Office, direct Livermore to:

1. Revise the current procedures for identifying high risk personal property to comply with the provisions of the DOE-PMR as it relates to the responsibilities of program officials.
2. Ensure that the Livermore high risk property procedures are submitted to the Oakland Operations Office for approval.
3. Ensure that all “reportable” excess personal property items are recorded in the EADS for DOE-wide reutilization screening.
4. Ensure that excess personal property items are not sold prior to the expiration of the applicable screening period as established by the DOE-PMR.

**MANAGEMENT
REACTION**

Oakland concurred with the four recommendations. Regarding Recommendation 1, Oakland stated that Livermore has implemented a procedure for obtaining initial program official input for identifying high risk personal property. Regarding Recommendation 2, Oakland stated that high risk procedures, which are incorporated in the Livermore Property Management Policies and Procedures, will be submitted to Oakland for review and approval as required. Regarding Recommendation 3, Oakland stated that necessary changes have been implemented to ensure that all “reportable” excess personal property is recorded in the EADS program for DOE-wide screening. Regarding Recommendation 4, Oakland stated that necessary system changes have been implemented to ensure that personal property items will not be sold prior to expiration of applicable screening periods.

Oakland stated that, although Livermore’s program officials have not performed high risk reviews of personal property items before the items are processed into Livermore’s reutilization and disposal program, fully trained disposal personnel were conducting high risk reviews of personal property items before the items are entered into the utilization and disposal process.

**INSPECTOR
COMMENTS**

We consider Oakland’s comments to be responsive to our recommendations.

Appendix A

Scope and Methodology

As part of our inspection, we interviewed contractor officials from Lawrence Livermore National Laboratory, and officials from the Oakland Operations Office and DOE Headquarters. We also reviewed pertinent documents related to the inspection. The documents included: 1) Title 41, Code of Federal Regulations Chapter 109, "Department of Energy Property Management Regulations;" 2) DOE Order 5400.5, "Radiation Protection of the Public and the Environment;" 3) Livermore's Management and Operating Contract, effective October 1, 1997; 4) Livermore's Property Management Policies and Procedures, dated August 4, 1999; 5) Livermore's ES&H Manual, "Requirements for Transfer of Equipment and Property for Repair, Reuse, Maintenance, Storage, Excess or Scrap," dated August 21, 2000; 6) Livermore's excess property history reports from August 1, 1998, to May 31, 2000; 7) Livermore's Donation, Utilization & Sales Group Monthly DUS Activity for FYs 97, 98, 99, and 00; and 8) the DOE Monthly Item Status Report (the EADS report) from January 31, 2000, to June 30, 2000.

This inspection was conducted in accordance with the "Quality Standards for Inspection" issued by the President's Council on Integrity and Efficiency.

Appendix B

Additional High Risk Requirements of the DOE-PMR

- To ensure the appropriate treatment of high risk personal property at its disposal and to prevent inadvertent release of the item, the property should be assessed and evaluated as high risk as early in its life cycle as practical. Newly acquired high risk personal property shall be identified and tracked during its acquisition process and marked upon receipt.
- All personal property shall be reviewed for high risk identification, marking, and database entry during regularly scheduled physical inventories, unless access to the property is difficult or impractical.
- Prior to disposition, all personal property, material or data will be assessed to determine whether it should be characterized as high risk and what actions are necessary to ensure compliance with applicable national security nonproliferation controls.
- Contractors may not process high risk personal property into a reutilization/disposal program without performing reviews which must be documented in accordance with the approved site or facility personal property management program.
- Recognizing that “property disposal officials” will not have the technical knowledge to identify nuclear related and proliferation-sensitive personal property items, program officials shall physically tag these items with a certification signed by the authorized program official at the time the property is determined excess. Also, the program officials will certify that appropriate actions have been taken to strip all characteristics which cause the items to be nuclear-related or proliferation-sensitive personal property or provide the property disposal office with adequate instructions for stripping of the items.

Appendix C

GLOSSARY

Energy Asset Disposal System (EADS)	A DOE centralized automated listing of excess reportable personal property used by DOE organizations for reutilization screening.
Energy-Related Laboratory Equipment (ERLE)	DOE, in accordance with its responsibility to encourage research and development in energy, awards grants (transfers of accountability) of used energy-related laboratory equipment to colleges, junior colleges, technical institutes, hospitals, museums and other nonprofit programs in the life, physical, and environmental sciences and in engineering.
Federal Disposal Systems (FDS)	A General Services Administration (GSA) automated system for researching, tracking, and controlling the nation-wide inventory of excess and surplus property of the Government. The FDS lists all reportable surplus personal property of the Government for reutilization screening by Federal and State agencies.
High Risk Property	Property that, because of its potential impact on public health, safety, the environment, national security interests or proliferation concerns, must be controlled and/or disposed of in other methods than the routine manner. The DOE categories of high risk personal property are: 1) automated data processing equipment; 2) especially-designed or prepared property; 3) export controlled property; 4) export controlled information; 5) hazardous property; 6) nuclear weapon components or weapon-like components; 7) proliferation-sensitive property; 8) radioactive property; 9) special nuclear material; and 10) unclassified controlled information.
Personal Property	Personal property and property are synonymous. Personal property means property of any kind, except for real estate and interests therein (such as easements and rights-of-way), and permanent fixtures which are Government-owned, chartered, rented, or leased from commercial sources by and in the custody of DOE or its designated contractors.
Proliferation-Sensitive Personal Property	Nuclear-related or dual-use equipment, material or technology as described in the Nuclear Suppliers Group Trigger List and Dual-Use List, or equipment, material or technology used in the research, design, developments, testing, or production of nuclear or other weapons.

Reportable Property	Property that is in good to repairable condition, was acquired at a cost of \$5,000 or more, and has a Federal Supply Code that meets Federal reportable standards.
Surplus Property	Excess personal property no longer required after being reported in the DOE and GSA screening process.

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