### Department of Energy

OFFICE OF INSPECTOR GENERAL

# Memorandum

DATE: February 28, 2006 REPLY TO

ATTN OF: IG-32 (A05PR017)

Audit Report No.: OAS-L-06-08

SUBJECT: Audit of "Personal Property Management at Oak Ridge National Laboratory and Brookhaven National Laboratory"

TO: Manager, Oak Ridge Office Manager, Brookhaven Site Office

#### INTRODUCTION AND OBJECTIVE

The Department of Energy (Department) Office of Science's 10 national laboratories are responsible for managing personal property with an acquisition cost of about \$3.4 billion. Generally, personal property consists of all property, but exclusive of real estate and permanent fixtures. Personal property includes laboratory, office and shop equipment, vehicles, furniture, computers, and sensitive items that are susceptible to being appropriated for personal use.

Personal property at the Oak Ridge National Laboratory (Oak Ridge) and the Brookhaven National Laboratory (Brookhaven) comprised about 26 percent of the total number of property items and total dollar value (acquisition cost) of personal property at the Office of Science's 10 national laboratories. As of September 30, 2004, Oak Ridge reported about 19,000 personal property items valued at \$525 million and Brookhaven reported about 17,000 personal property items valued at \$363 million.

The objective of our audit was to determine whether Oak Ridge and Brookhaven have adequate systems and controls in place to ensure that personal property is properly accounted for, controlled, and disposed.

## CONCLUSION AND OBSERVATIONS

With minor exceptions, nothing came to our attention during the course of the audit to indicate that Oak Ridge's and Brookhaven's systems and controls over personal property were not properly accounted for, controlled, or disposed.

At both Oak Ridge and Brookhaven, we found minor instances of inaccurate or outdated property records, such as incorrect locations, serial numbers, or model numbers. For example, property records incorrectly identified the building in which the item was located for about 4 percent of the items tested and had an incorrect or missing serial number for about 3 percent of the items tested. We discussed these discrepancies with Oak Ridge and Brookhaven management, who agreed to take corrective actions.

#### SCOPE AND METHODOLOGY

The audit was performed from April 2005 to January 2006 at Oak Ridge National Laboratory in Oak Ridge, Tennessee, and Brookhaven National Laboratory in Upton, New York. The audit scope covered all personal property items acquired by the two laboratories prior to the time of our site visits.

To accomplish the audit objective, we:

- Reviewed applicable Federal regulations, Department of Energy regulations and directives, and Oak Ridge and Brookhaven contract terms, policies, and procedures;
- Reviewed prior audits and reviews related to property management;
- Obtained personal property databases and compared capital equipment to financial records;
- Vested 355 and 475 randomly selected personal property items at Oak Ridge and Brookhaven, respectively;
- Traced a sample of procurement transactions, including purchase card transactions, to property records;
- Reviewed incident reports involving loss, theft, damage, or destruction of personal property;
- Reviewed criteria and thresholds for identifying sensitive items; and,
- Reviewed personal property disposal processes.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. We considered performance measures established in accordance with the *Government Performance and Results Act of 1993* as they related to the audit objective. We relied on computer-processed data to accomplish the audit objective. When appropriate, we performed limited test work of data reliability during our audit and determined that we could rely on the computer-processed data.

An exit conference was held with representatives of Brookhaven and the Brookhaven Site Office. The Oak Ridge Office waived an exit conference. ų,

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Since no recommendations are being made in this report, a formal response is not required. We appreciate the cooperation of your staff and the Oak Ridge and Brookhaven staffs during our review.

Fredrick G. Pieper, Division Director

Energy, Science and Environmental Audits Division Office of Inspector General

Attachment

cc: Chief of Staff
Team Lcader, Audit Liaison, CF-1.2
Audit Liaison, SC-32.1
Audit Liaison, Oak Ridge Office
Audit Liaison, Brookhaven Site Office

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