Smithsonian Institution
Office of the Inspector General

In Brief

Personal Property Accountability
Report Number A-09-06, November 18, 2009

Why We Did This Audit

We conducted an audit of personal property accountability at the Smithsonian to assess the design and effectiveness of internal controls over the acquisition, recording, and disposal of accountable personal property and to determine whether recent policy and procedure changes have improved accountability and significantly stemmed losses of such assets.

What We Recommended

We made five recommendations to ensure that the Smithsonian holds individuals accountable for all accountable personal property. We also made two recommendations to ensure that Smithsonian policies and procedures consider the risk of inadvertently disclosing sensitive information through the loss or disposal of such property.

Management concurred in whole with our recommendations and proposed corrective actions that will resolve all of our recommendations.

What We Found

The Smithsonian has made significant improvements to its personal property management program over the last few years, including hiring a dedicated personal property management official, instituting Smithsonian-wide inventories, implementing a new centralized system to record property, and revising policies and procedures.

Units in our sample generally followed policies for centrally recorded property. However, we identified two missing items from our sample of 265 assets, and determined that staff at the National Museum of Natural History generally did not use accountability forms for centrally recorded property. Furthermore, most Smithsonian units did not use these forms for their unit-controlled property as required.

We also found that the Smithsonian did not hold individuals accountable for personal property. The Smithsonian did not believe that they could hold individuals accountable without a signed form acknowledging responsibility for the property in their possession. Yet, the Smithsonian did not ensure that all responsible individuals completed these accountability forms. The Institution held only one person accountable for $40 worth of the $12.3 million in missing property in the last five years.

Finally, the Institution failed to consider all significant risks in the design of its policies. Personal property management policies and procedures do not require the Smithsonian to control all property whose loss may pose a significant risk to the Institution, particularly property, such as BlackBerries and laptops, that could contain sensitive information. This lack of control increases the risk that the Institution may compromise sensitive information, which could result in negative publicity, a decrease in public confidence, a loss of donors, and the expense of data breaches or lawsuits.

For additional information or a copy of the full report, contact the Office of the Inspector General at (202) 633-7050 or visit http://www.si.edu/oig.

Smithsonian Institution

Office of the Inspector General

Date November 18, 2009

To G. Wayne Clough, Secretary
Richard Kurin, Under Secretary for History, Art, and Culture
Alison McNally, Under Secretary for Finance and Administration
Scott Miller, Acting Under Secretary for Science
Robert Fraga, Director, Office of Contracting and Personal Property Management
Bruce Kendall, Director, Office of Facilities Engineering and Operations
Steven Monfort, Acting Director, National Zoological Park
Cristián Samper, Director, National Museum of Natural History

cc Audit and Review Committee, Board of Regents
Alice Maroni, Chief Financial Officer
Ann Speyer, Chief Information Officer
Judith Leonard, General Counsel

From A. Sprightley Ryan, Inspector General

Subject Report on Personal Property Accountability, Number A-09-06

This report presents the results of our audit of personal property accountability at the Smithsonian. We initiated this audit because the Government Accountability Office (GAO) and others have recently reported on the lack of accountability and weak internal controls in personal property management at other federal entities. Furthermore, as part of its response to the Board of Regents' Governance Recommendation 23,[1] the Smithsonian has identified personal property management as one of the highest risk processes out of the Institution's 23 critical processes. The Smithsonian reported $12.3 million in recorded missing property over the last five years.

Our objectives were to (1) assess the design and effectiveness of internal controls over the acquisition, recording, and disposal of the Smithsonian's accountable personal property; and (2) determine whether recent policy and procedure changes have improved accountability and significantly stemmed losses of such assets.

We focused our audit work on three types of accountable personal property -- laptop computers, motor vehicles, and weapons -- because of the significant risk they pose should they become lost or stolen. Furthermore, because the Smithsonian acquires and manages personal property in a highly decentralized manner, we limited our testing to three judgmentally selected Smithsonian units – the Office of Facilities Engineering and Operations (OFEO), the National Zoological Park (NZP), and the National Museum of Natural History (NMNH) – because these units own a significant concentration of these three asset types and historically have had many problems with their management of

[1] In June 2007, the Board of Regents' Governance Committee issued Governance Reform Recommendation 23, which calls for the Smithsonian to have systems and controls in place to enable the Board to provide meaningful oversight of the accuracy and integrity of Smithsonian financial statements and reports.

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personal property. These three units together had a total of 505 motor vehicles, 741 laptop computers, and 804 weapons recorded in the Smithsonian's Asset Management (AM) system, with an acquisition value of $10.6 million, as of May 31, 2009. Of those assets, we randomly sampled 62 motor vehicles, 125 laptop computers, and 78 weapons, valued at $1.2 million. For our sample, we confirmed whether the property was physically present, if the buyers used appropriate purchasing methods, if units followed recommended receiving procedures, if relevant accountability forms existed, and if information in the AM system was accurate.

We also surveyed accountable property officers (APOs) from all of the Smithsonian's 61 units regarding their practices on personal property management of unit-controlled property, one type of accountable personal property.

We include a detailed description of our scope and methodology in Appendix A.

RESULTS IN BRIEF

Overall, recent changes in policies and procedures have substantially improved the management of recorded personal property at the Smithsonian, and units in our sample were generally following policies for centrally recorded property. However, we identified two missing items from our sample of 265 assets, and determined that NMNH staff generally did not use accountability forms for centrally recorded property. Furthermore, most Smithsonian units did not use these forms for their unit-controlled property as required. Finally, the Institution did not consistently enforce accountability for property and failed to assess all significant risks in the design of its policies. Specifically, we found that:

- The Smithsonian did not hold individuals accountable for personal property. The Smithsonian did not believe that they could hold individuals accountable without a signed form acknowledging responsibility for the property in their possession. Yet, the Smithsonian did not ensure that all responsible individuals completed these accountability forms. The Institution held only one person accountable for $40 worth of the $12.3 million in missing property in the last five years.
- Personal property management policies and procedures do not require the Smithsonian to control all property whose loss may pose a significant risk to the Institution, particularly property, such as BlackBerries and laptops, that could contain sensitive information. This lack of control increases the risk that the Institution may compromise sensitive information, which could result in negative publicity, a decrease in public confidence, a loss of donors, and the expense of breaches or lawsuits.

To improve the Smithsonian's controls over personal property management and accountability, we recommended that Smithsonian management strengthen, enforce, and provide training on the Institution's personal property policies and procedures.

BACKGROUND

Smithsonian Accountable Personal Property Categories

The Smithsonian records and tracks three types of Smithsonian-owned personal property: capitalized, sensitive, and unit-controlled. See Figure 1.

1. ***Capitalized personal property*** is property whose acquisition cost is $5,000 or more, is durable in nature with an expected service life of two years or more, and does not become a part of another asset when put in use. Examples include copiers and computer servers.

2. ***Sensitive property*** refers to those assets costing $500 or more and included in the Institution's sensitive property items list. See Appendix B for the Smithsonian's sensitive property items list. These items are considered sensitive because of the risk of pilferage and inappropriate use. Examples of sensitive property include laptop computers, motor vehicles, and cameras. Firearms are considered sensitive property, regardless of cost.

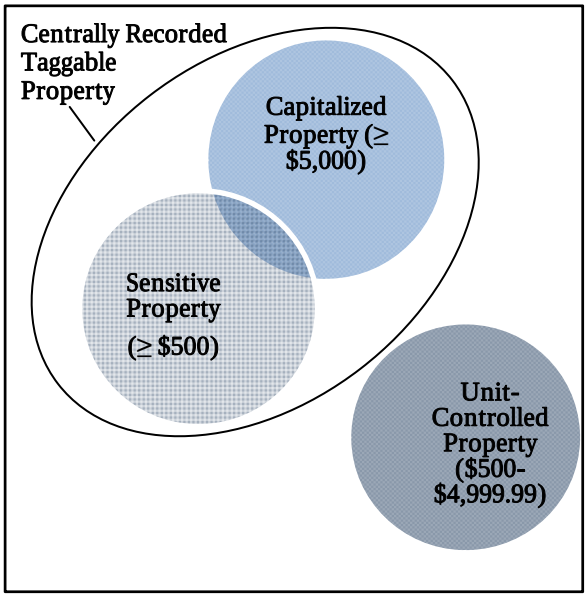

Figure 1: Relationship Between Categories of Smithsonian Accountable Personal Property

3. ***Unit-controlled property*** consists of assets that cost between $500 and $4,999.99, that are not considered sensitive property items, are durable in nature with an expected service life of two years or more, and do not become a part of another asset when put to use. Examples of unit-controlled property may include computer equipment, office equipment, and furniture.

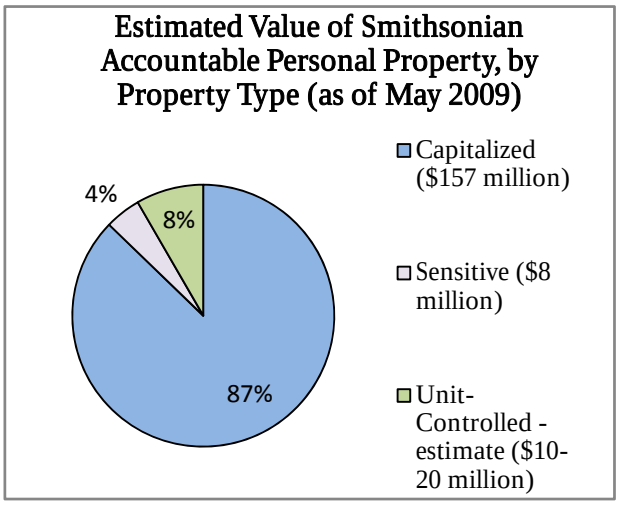

Figure 2: Estimated Value of Smithsonian Accountable Personal Property by Property Type as of May 2009

The Smithsonian centrally records and monitors capitalized and sensitive assets, also known as taggable property, in the Institution's Asset Management (AM) system. Smithsonian units are responsible for maintaining a record of and accounting for the third category, unit-controlled personal property. The Smithsonian had approximately 5,000 and 4,600 capitalized and sensitive assets worth $157 million and $8 million, respectively, recorded in its AM

system as of May 2009. Although the total amount of unit-controlled property is not known because this property is not centrally recorded, Smithsonian personal property management officials estimate there to be between $10 and $20 million. See Figure 2.

Personal Property Management Organization and History

The Smithsonian has four primary groups with key roles and responsibilities in the Institution's personal property management process:

1. The Personal Property Management Division (PPMD) within the Office of Contracting and Personal Property Management (OCon&PPM) is the office responsible for establishing property management policies and procedures, ensuring that personal property management control systems are in place, and centrally recording and maintaining taggable property in the Institution's AM system. PPMD also completes an inventory of all Smithsonian centrally-recorded personal property on a triennial cycle. PPMD accomplishes this by conducting inventories of one-third of the total Smithsonian units each year.
2. Directors of Smithsonian units and sub-offices are responsible for ensuring that they and their staff abide by the personal property management policies and procedures and for maintaining accountability over all property, taggable and unit-controlled, belonging to their unit or organization.
3. Accountable property officers (APOs) within each Smithsonian unit serve as liaisons between their unit directors and PPMD, and provide oversight of their units' control, care, use, and accountability of all personal property, including taggable and unit-controlled property. APOs report to their units, not to PPMD.
4. APOs at larger units may also designate property custodians who are responsible for controlling all property within their custodial area. APOs and property custodians perform their property management duties on a part-time basis in addition to their primary job responsibilities.

The Smithsonian has made significant improvements to its personal property management program in several ways, including hiring a dedicated personal property management official, instituting Smithsonian-wide inventories, implementing a new centralized AM system to record property, and revising policies and procedures. In fall 2004, the Institution created an associate director position for personal property management. In fiscal year (FY) 2006, PPMD conducted its first and only full inventory of personal property at the Smithsonian. Inventories have since been held triennially by unit. See Table 1 below for missing and unrecorded property rates from these inventories. In May 2006, the Smithsonian converted from a legacy system to the current AM system to manage personal property. In July 2008, PPMD issued the current Personal Property Management Manual, which had not been updated since 1985.

TABLE 1: Missing and Unrecorded Property (as a % of Beginning Inventory)

Fiscal Year[1]	Missing Property	Unrecorded Property
2006	5%	12%
2007	2%	1%
2008	1%	1%
2009	1%	1%

[1]The Smithsonian conducted its first inventory in FY 2006 for all units. Results beginning in FY 2007 reflect only one third of the units.

Applicable Personal Property Management Regulations

The General Services Administration (GSA), the federal entity primarily responsible for issuing personal property management regulations and procedures, has not yet provided comprehensive guidance on federal personal property management in its Federal Management Regulation (FMR).[2] Instead, GSA encourages federal entities to refer to private sector authoritative management resources such as the American Society for Testing and Materials (ASTM).

Accountability Process for Missing Property

1. Unit Reporting: The Smithsonian requires APOs, property custodians, and individuals to report missing capitalized and sensitive personal property to PPMD using the Report of Survey for Missing, Damaged, or Destroyed Property Form (SI-3522) within 13 days of discovering the property loss. See Appendix C for a copy of this form. Separately, supervisors are responsible for reporting missing property to the Office of Protection Services (OPS), when they suspect theft, fraud, or other suspicious circumstances.

2. Inquiry/Investigation: Different Smithsonian groups conduct an inquiry depending on the property type. A Board of Survey, composed of staff from OPS, the Office of the Comptroller (OC), and PPMD, reviews cases involving capitalized property; PPMD staff performs the review for sensitive property under $5,000. Unit APOs are responsible for conducting internal inquiries for missing unit-controlled property. Additionally, OPS investigates suspicious incidents.

   Determining individual accountability is a two-step process. First, the Smithsonian must identify the individuals responsible for the missing property to hold them accountable for explaining its loss. Second, to hold an individual financially responsible for the missing property, the Institution must determine that negligence or willful misconduct was involved.

3. Finding Reporting: The Board of Survey and PPMD report the findings and recommendations from their inquiry to the unit APO. These findings include identifying individual responsibility and potential financial liability when there is enough information to do so. For cases involving theft or fraud, these reports also include an OPS report determining whether the incident is criminal in nature.

Personal Property Accountability Forms

The Smithsonian relies on two forms – the Property Assignment Receipt Form (SI-4554) and the Off-Site Property Utilization Authorization Form (SI-4153) – to hold the individuals responsible for issued property and to remind them of their personal responsibility for safeguarding that property. Specifically, Smithsonian policies state that the SI-4554 form "will be used to record the accountability of property that is specifically assigned to an employee, contractor or other individual for their use exclusively." The wording of this policy does not apply to two types of situations. First, the policy does not apply when a group shares property since the property is not used by one individual

[2] 41 Code of Federal Regulations Part 102.

exclusively. We found that many laptops, as well as almost all vehicles and weapons in our sample, are shared by groups. Second, when an individual is in possession of property, but not using it, such as keeping an extra laptop at his desk or transporting excess laptops for disposal, the policy does not apply.

Although some property custodians may use informal mechanisms to keep track of property issuance, individuals are more likely to safeguard and keep track of the property when they formally sign for it. By signing these forms, individuals acknowledge that they may be held financially liable if the property loss is due to their negligence or willful misconduct. See Appendices D and E for copies of these forms.

Smithsonian Statement of Values and Code of Ethics

While these forms strengthen the Institution's ability to hold individuals financially liable, the lack of these forms should not prevent the Smithsonian from doing so.

Smithsonian employees, volunteers, and other affiliated individuals are expected to adhere to the Institution's Statement of Values and Code of Ethics. This Statement explicitly demands "Responsible Stewardship." Specifically, it calls for:

- Individuals to ensure that physical property is protected and managed prudently and responsibly.
- Policies and practices that will be consistent with professional standards, and best practices for responsible stewardship and internal control that will be established, disseminated, kept current, and consistently applied at all levels of the organization.
- Accurate and complete records to ensure accountability and positive control of the Smithsonian's physical assets.
- Individuals to adhere to these policies.

RESULTS OF AUDIT

The Smithsonian Did Not Hold Individuals Accountable for Personal Property

The Smithsonian did not hold individuals accountable for missing property. Specifically, PPMD officials reported that the Smithsonian has been able to hold only one person accountable for $40 worth of the $12.3 million of missing property reported by all Smithsonian units in the last five years. This amount includes 89 laptop computers worth $228,000 that PPMD identified as missing during the FY 2006 through FY 2008 physical inventories at the three units we audited. The Smithsonian historically had not emphasized a positive internal control environment for personal property management by holding individuals accountable for property. Despite recent policy and procedure improvements, such as the creation of an accountability form providing individuals fair notice that they may be held financially liable, the Institution still has not held individuals accountable for missing property because individuals have not completed these forms. Individuals are less likely to safeguard and track property in their possession if they do not sign these forms. In our opinion, the lack of consequences for missing property diminishes the expectations that individuals will maintain the high ethical standards required by the Institution's Statement of Values and Code of Ethics.

We found that Smithsonian policies did not always require individuals to use the accountability form. For example:

- An NMNH employee left a broken laptop in an unattended pile of surplus equipment in a non-public area. This laptop was one of the two we found missing from our sample. Smithsonian procedures require that individuals document any transfers of equipment, including disposals. The Smithsonian uses Dell's Asset Recovery program and Dell is responsible for wiping all data from the equipment. However, the property custodian did not have any documentation for the disposal and told us that the employee, according to the museum's common practice, left the laptop in an unattended surplus pile. We found no evidence that Dell picked up the laptop or deleted data from it. The Smithsonian did not hold anyone accountable for this property because no one had completed a Report of Survey. Even if employees had reported the laptop missing, the Institution would not have held anyone responsible because it was shared by a group and hence no one had signed an accountability form for this laptop. After we issued an early draft of this audit, NMNH management notified us that they have changed the way they collect surplus equipment.
- For the second missing laptop from our sample, which belonged to OFEO, an employee gave the laptop to another employee in his office to have computer-tracking software installed in November 2008. OFEO did not discover that the laptop was missing until PPMD conducted its inventory in June 2009. The Smithsonian did not hold anyone accountable for this missing laptop because the employee who received the original laptop did not sign the accountability form. While the employee who turned in the laptop did have an accountability form, PPMD policies did not require the unit to submit this form as part of the Request of Survey process. The individual who turned in the laptop has since retired. After the conclusion of our audit work, OFEO was able to locate the missing laptop.
- During the Smithsonian's FY 2009 inventory at the National Science Resource Center, the unit APO could not locate three computers that were shared by a group. Again, the Institution did not hold anyone accountable for the loss of these computers because no one had signed the accountability form.
- In our sample, six of NZP's 17 laptops for individual use we reviewed did not have assignment forms because these laptops were being kept by the property custodian. See Table 2.

We also found that individuals did not always sign the accountability form when they were required to do so. For example:

- In our sample, we found that 42 (or 86%) of the 49 NMNH laptops we reviewed that were assigned to individuals did not have corresponding accountability forms. (Five of the seven forms we did receive were dated after the commencement of this audit.) In contrast, OFEO had an accountability form for all of the 20 laptops we reviewed that were specifically assigned to an individual.

TABLE 2: Frequency of Accountability Forms Not Used in Individual Laptop Sample

Smithsonian Unit	Forms Not Used/Total Individual Laptops Sampled	Percentage of Forms Not Used in Total Individual Laptops Sampled
OFEO	0/20	0%
NZP	6/17[1]	35%
NMNH	42/49	86%
Total	**48/86**	**56%**

[1] Six of the NZP laptops did not have any forms because these laptops were in the possession of the Property Custodian and policies did not require Property Custodians to complete these forms for property in their possession.

- We also surveyed APOs at all Smithsonian units regarding their practices over unit-controlled property to determine whether the lack of individual-level accountability persisted over this third type of accountable personal property. In their survey responses, 67 percent, or 38 of 57, APOs reported that they do not use the accountability form to obtain acknowledgement from individuals that they are personally responsible for property. Five other APOs, representing nine percent of the respondents, reported using these forms only sometimes. However, several APOs reported that they have alternative mechanisms such as databases and spreadsheets to keep track of property assignment. See Figure 3.

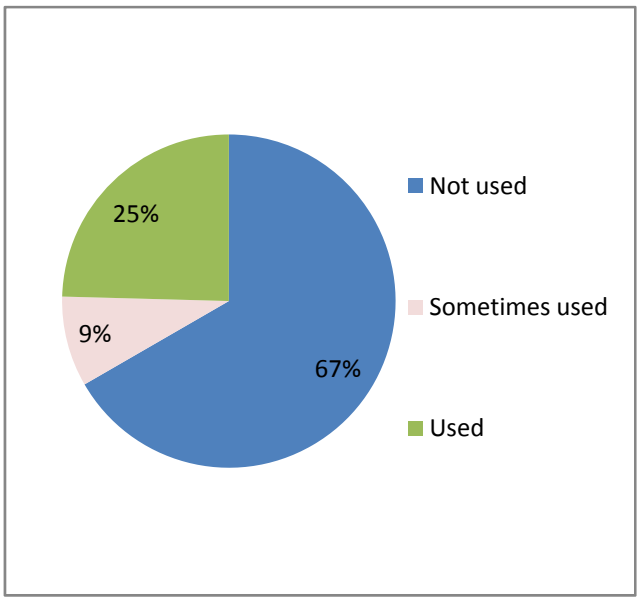

Figure 3: SI-4554 Form Use for Unit-Controlled Property

The Smithsonian did not hold individuals accountable for personal property losses because (1) Smithsonian management failed to establish a strong control environment, (2) personal property custodians lacked training, and (3) the Smithsonian did not report findings from their inquiries to appropriate unit management.

(1) ***Inadequate control environment.***

a. Institution Level: Although Smithsonian senior management officials have made improvements in the Institution's internal control environment in recent years, they have not fully conveyed the importance of personal property accountability. Because the Institution had few controls prior to the current policies, Smithsonian senior management believed that incrementally adding requirements, rather than incorporating all best practices at once, would result in better compliance. For example, personal property management officials told us that to get the required approval from approximately 20 Smithsonian

unit directors and 20 senior financial officials during the revision approval process, property management officials loosened or excluded from their policies and procedures best practices if they were not federally required. These officials also told us they removed language requiring (1) unit management to become involved with missing and unrecorded personal property to reduce these occurrences, (2) unit management to be held directly accountable for not enforcing established policy and procedures, and (3) unit management to ensure all personal property within their unit has an accountability form.

Therefore, the policies and procedures did not clearly require individuals to sign the Smithsonian form acknowledging responsibility for all accountable personal property in their possession. As a result, the Smithsonian did not hold anyone accountable for the missing group laptops in our examples.

We believe that the Smithsonian should incorporate in its policies and procedures all internal controls that reflect best practices in property management.

b. Unit Level: One NMNH management official told us NMNH did not enforce compliance with personal property policies and procedures because she believed the requirements were too complicated. This official stated that the use of two forms, one for assignment and the other to take property off-site, was not intuitive, and therefore, she did not expect her staff to fill out both forms.

We acknowledge the burden that multiple paper forms may pose. Given the technological resources available today, we believe paper forms may not be the most cost-effective mechanism to track and document individual acknowledgement of all property issuance. Regarding multiple forms, however, we note that several other federal entities such as the Department of Energy require the use of two accountability forms.

The NMNH management official also told us that the museum lacks adequate staffing to comply with the Smithsonian's policies and procedures. Currently, with the exception of the Smithsonian Astrophysical Observatory, there are no dedicated APO or property custodian positions. APOs and property custodians perform their property management duties in addition to their primary job responsibilities. We found, however, that OFEO and NZP are generally complying with Smithsonian assignment procedures despite having similar staffing concerns. The Smithsonian is planning to hire three full-time APOs in fiscal year (FY) 2010, one of whom will support NMNH.

(2) ***Lack of property custodian training.*** The NMNH property custodians, who have the day-to-day responsibility for controlling property within their area, have not been trained in personal property management. None of the 20 property custodians we interviewed reported receiving training in the subject. Further, the NMNH acting APO and all but two of the museum's property custodians we interviewed had never

heard of or used the accountability form until this audit. In contrast, we found that OFEO and NZP provided training to their property custodians.

GSA cites well-trained property managers as essential to personal property management.

The Smithsonian uses a train-the-trainer approach, and centrally trains APOs who are then responsible for training and assisting property custodians on property management procedures. The NMNH management official told us that she believes it would be inappropriate for the APO to train the property custodians because the Smithsonian's personal property policies and procedures are too complicated. Furthermore, the NMNH management official had not believed training was necessary because NMNH's performance had improved between the FY 2006 and the FY 2007 physical inventories.

(3) ***Findings not communicated to unit management.*** PPMD did not communicate the findings from their Report of Survey inquiries to unit management when the individual(s) responsible for the property loss could not be determined. Instead, PPMD reported the findings to the unit APOs and relied on them to pass the information on to their unit management. PPMD did prepare and provide Personal Property Inventory Results letters, signed by the Comptroller, to unit management to inform them of their property losses. While these letters provided the total number of missing items, they did not provide the circumstances of each instance of missing property.

Property management officials have since changed this practice and now communicate findings from their inquiries into missing property, as recorded on the Report of Survey forms, directly to unit directors.

The lack of consequences for missing property diminishes the expectation that individuals will ensure accountability and positive control of the Smithsonian's assets as set forth in the Institution's Statement of Values and Code of Ethics.

RECOMMENDATIONS

Personal property management officials have insisted that the Institution can only hold people financially liable when individuals have signed the accountability form acknowledging that they may be held liable should the property get lost. Because the Smithsonian has not historically held individuals liable for missing property, we believe that individuals should be given some type of fair notice. While these forms strengthen the Institution's ability to hold individuals financially liable, the lack of these forms should not prevent the Smithsonian from doing so because the Smithsonian could provide individuals fair notice through Institution-wide communications or other means. Therefore:

We recommend that the Under Secretary for History, Art, and Culture; the Under Secretary for Finance and Administration; and the Under Secretary for Science:

1. Strengthen adherence to personal property management policies and procedures by conducting regular compliance reviews, including ensuring that individuals are being held accountable for missing property.

2. Direct all units to complete property accountability forms as required by the Smithsonian's personal property policies and procedures, ensuring that individuals receive fair notice of their responsibility to safeguard property.

We recommend that the Under Secretary for Finance and Administration:

3. Update the policies and procedures to require (a) that individuals sign property accountability forms acknowledging responsibility for all accountable personal property in their possession, including property that the individual shares with a group and property an individual is repairing, preparing for disposal, storing, or otherwise not actively or exclusively using; and (b) units to submit the accountability forms when reporting missing property.

4. Evaluate whether the Smithsonian could more cost-effectively record and track property issuance to individuals (a) using an electronic system, rather than paper-based forms; and (b) using the Institution's existing AM system to track property issuance.

5. Require and offer personal property training for property custodians.

Smithsonian Policies and Procedures Do Not Consider All Risks

Policies and procedures do not require the Smithsonian to control property that could contain sensitive information,[3] increasing the risk that the information would be disclosed.

We found:

- Although the Smithsonian considers risk in determining which items it considers sensitive property, the Institution may not control all high-risk property, including personal data devices such as BlackBerries and laptops, because these items may not meet the minimum monetary threshold. For example, while BlackBerries are included in the Smithsonian's sensitive property items list, the Institution does not inventory or otherwise track these items because they fall below the sensitive property threshold of $500. Similarly, as technology advances and the cost of equipment declines, laptop computers such as netbooks could cost less than $500, and would no longer be considered sensitive property subject to Smithsonian accountability procedures.

  BlackBerries and laptop computers are high-risk property because they are portable and could store sensitive information in formats such as electronic documents and emails. For example, as noted in our recent privacy program audit,[4] we found that

[3] Sensitive information includes information such as personally identifiable information and proprietary business information.
[4] Report on Fiscal Year 2008 Independent Audit of the Smithsonian Institution Privacy Program, Number A-08-08 (May 29, 2009).

employees collected sensitive information such as medical history and social security numbers via unencrypted email.

Although the Smithsonian does not account for BlackBerries from a property management standpoint, Office of Chief Information Officer (OCIO) officials informed us that they have a database of these devices that are connected to the Smithsonian-managed BlackBerry server. Furthermore, they have a system in place to delete data contained in BlackBerries connected to this server. However, we believe that those processes do not adequately compensate for the lack of personal property management controls to ensure that the Smithsonian removes sensitive data from all its BlackBerries. We issued a memorandum to OCIO officials addressing these control weaknesses separately, as this topic is outside the scope of this audit.

- Smithsonian units are not properly accounting for desktop computers, a type of unit-controlled property that could contain sensitive information. According to their unit-controlled property survey responses, eleven of the 57 respondents reported that they do not track desktop computers because they thought that OCIO was responsible for accounting for them. In fact, management officials from the three Smithsonian units we reviewed, OFEO, NZP, and NMNH, reported that they generally do not inventory or otherwise account for their unit-controlled property because they lack the resources to do so. Instead, they are focusing their limited resources on accounting for capitalized and sensitive property.

  Although desktop computers are not as portable as BlackBerries and laptops, these computers may also contain sensitive information. Personal property management officials told us that they observed these desktop computers sitting in hallways and had seen people carrying them out of buildings during physical inventories.

GSA and ASTM both define sensitive property as those items, regardless of cost, that require special control and accountability. We found that many other federal entities such as the National Institutes of Health and the Department of Commerce do not place a dollar threshold on their sensitive property lists.

GSA also specifically cites "information technology equipment with memory capability" as an example of sensitive property. Although GSA does not specifically require federal entities to control all equipment with memory storage capability, it does require entities to implement policies and procedures to remove sensitive or classified information from such property prior to disposal.[5]

OCIO management officials have resisted controlling IT equipment with memory storage capability, such as desktop computers and BlackBerries, as sensitive property because they did not believe many of these items were lost. Furthermore, OCIO officials did not want to control this type of equipment unless there is a federal requirement to do so, citing resource concerns.

Given that not all IT equipment with memory storage capability contains sensitive information, we agree that it would not be cost-effective for the Smithsonian to control all

[5] 41 CFR Part 102-35.30 of the Federal Management Regulations.

such equipment. As the GAO and ASTM standards both state,[6] organizations need to establish and maintain control of personal property in a manner that will strike a balance between the costs of control and the risks associated with the loss of property.

To achieve this cost-risk balance, we believe that the Institution should control all IT equipment that contains sensitive information. In response to our recent privacy program audit, by March 2012 the Institution plans to inventory all personally identifiable information (PII), including the location and format in which such information is stored.

We believe that the Smithsonian's decentralized BlackBerry purchases and the lack of accountability for desktop computers as part of unit-controlled property increases the risk that the Institution may compromise sensitive information stored in these items. Compromised information could result in negative publicity, a decrease in public confidence, a loss of donors, and the expense of breaches or lawsuits.

RECOMMENDATIONS

To ensure that the Smithsonian balances the cost of controlling property with the risk that information may be compromised, we recommend that the Under Secretary for Finance and Administration:

6. Perform a risk-based evaluation of whether the Smithsonian should:

    a. Remove the minimum dollar threshold for high-risk items on the sensitive property item list;
    b. Based on the results of the PII inventory, add to the sensitive property list other IT equipment with memory storage capability that contains sensitive information.

Because of the severity of the potential risk that the Institution may compromise sensitive information, we believe that the Smithsonian should take action prior to the 2012 inventory. We recommend that the Under Secretary for Finance and Administration:

7. Immediately evaluate whether mitigating controls to protect sensitive information could be implemented prior to the 2012 PII inventory.

ADDITIONAL OBSERVATION

The Smithsonian Did Not Install Required Computer-Tracking Software on All Laptops

In our sample, we found that NMNH did not have required computer-tracking software installed on one recently purchased Dell laptop. There may be other such instances outside of our sample. Beginning July 2008, the Smithsonian required all new Dell laptops to have this software installed. In the case we identified, the laptop buyer acquired the laptop directly through their Dell representative, bypassing the Smithsonian's Dell ordering website, which would have automatically included the software on the laptop.

[6] ASTM E2221-02, Standard Practice for Administrative Control of Property.

Buyers may be unaware that laptops purchased directly through a representative may not automatically include the software as it is when ordered through the Smithsonian's Dell website.

The required computer tracking software can track all Smithsonian laptops logged onto the Internet, physically locate a missing laptop, and remotely delete data, reducing the security risk if the laptop is lost or stolen. OCIO was not aware that this laptop did not have the required software installed until our audit. We believe units should abide by and OCIO should better enforce the computer tracking software policy.

MANAGEMENT COMMENTS

In their November 13, 2009 response to our draft audit report, the Director of the Office of Contracting and Personal Property Management (OCon&PPM) and the Chief Financial Officer concurred with all seven of our audit recommendations.

Management also suggested two changes to our audit report, which we describe below:

First, management suggested that we acknowledge that it has been difficult for the Smithsonian to hold individuals accountable for personal property because Accountable Property Officers (APOs) and property custodians did not adhere to policies requiring signed accountability forms.

Second, management suggested that we remove language stating that the OIG believes that a lack of consequences for missing property diminishes the expectations that individuals will maintain the high ethical standards required by the Institution's Statement of Values and Code of Ethics. Management does not believe that there is a known correlation between a lack of consequences and ethical behavior.

For our seven audit recommendations, management proposed the following actions:

By June 30, 2010, OCon&PPM will update their manual to include a 3-5 year Smithsonian-wide compliance review process. OCon&PPM will pilot this process by December 31, 2010 and fully implement the program in FY 2012, contingent on available resources.

By December 15, 2009, OCon&PPM will issue an email message reminding Smithsonian employees of their responsibility to complete property accountability forms.

By June 30, 2010, OCon&PPM will revise their manual to require property accountability forms for all property in an individual's possession, not just property that is assigned to the individual. OCon&PPM will also revise the manual to require that units submit accountability forms when reporting missing property.

By December 31, 2010, OCon&PPM will research electronic systems for recording and tracking the assignment of personal property. By the same date, OCon&PPM will determine the availability of web-based training programs and develop and conduct bi-annual briefings for property custodians.

By November 30, 2010, OCon&PPM will conduct a risk-based evaluation to determine the risk of loss from sensitive personal property and revise the sensitive property list as appropriate. The Office of the Chief Information Officer will also redistribute its policy requiring users to encrypt sensitive information.

We include the full text of management's response in Appendix F.

OFFICE OF THE INSPECTOR GENERAL COMMENTS

Management's planned actions respond to the recommendations, and we consider the recommendations resolved.

However, we believe that there is a better approach to reminding employees of their responsibility to complete accountability forms. To clearly demonstrate senior management's commitment to strengthening personal property management, we believe that it would be more beneficial for an email to be sent by the Under Secretaries to whom the recommendation is addressed instead of by OCon&PPM.

With regard to management's proposed changes to the audit report, we retained the original report language. We note that the Personal Property Management Manual states that the Director and Associate Director of OCon&PPM are responsible for overseeing compliance with property management policies and conducting program reviews to ensure that accountability policies are followed. Therefore, we believe that even though APOs and property custodians did not follow policies, OCon&PPM management was ultimate responsibility for enforcing those policies and ensuring that individuals were held accountable for personal property.

Finally, we continue to believe that consequences reinforce expectations for ethical behavior.

We appreciate the courtesy and cooperation of Smithsonian representatives during this audit.

APPENDIX A. SCOPE AND METHODOLOGY

To determine the effectiveness of the Smithsonian's internal controls over the acquisition, recording, and disposal of its accountable personal property, we interviewed management and staff from the Office of Contracting and Personal Property Management (OCon&PPM), the Office of Chief Information Officer, the Office of Facilities Engineering and Operations (OFEO), the National Zoological Park (NZP), and the National Museum of Natural History (NMNH).

To confirm our understanding of the three units' property management processes and controls, we conducted walkthroughs of the property procurement, receiving, and recording processes at the Office of Protection Services within OFEO, the Administration and Technology Department at NZP, and the Information Technology Department at NMNH. We also performed a walkthrough of OCon&PPM's personal property management process.

To assess the design and effectiveness of the Smithsonian's internal controls, we reviewed, tested, and analyzed the Institution's personal property management policies and procedures and compared them with federal and other standards for personal property management, including the General Service Administration's (GSA) Federal Management Regulations and American Society for Testing and Materials property standards. We also reviewed reports from other Offices of the Inspector General and compared the Smithsonian's policies and procedures for controlling property with policies and procedures used by other federal entities.

We focused our testing on three types of sensitive property, laptop computers, motor vehicles, and weapons because of the significant risk they pose should they become lost or stolen. Furthermore, because the Smithsonian acquires and manages personal property in a highly decentralized manner, we limited our testing to three judgmentally selected Smithsonian units - OFEO, NZP, and NMNH.

To identify the total population of OFEO, NZP, and NMNH laptop computers, motor vehicles, and weapons recorded in the Institution's Asset Management (AM) system, we obtained each unit's listings of these assets from the AM system as of May 31, 2009. We identified 505 motor vehicles, 741 laptops, and 804 weapons belonging to the three Smithsonian units, valued at approximately $8.8 million, $1.5 million, and $324,000, respectively.

Of the population we identified, we selected a statistical sample that was randomly selected of 125 laptops, 62 motor vehicles, and 78 weapons using a 90% confidence level, a tolerable error of 5%, and expected error rates of 9%, 2%, and 4%, for NMNH, NZP, and OFEO respectively. We derived the expected error rates from the performance of the respective units' most recent physical inventories.

We summarize the populations and samples in the following table.

TABLE 3: Population and Sample Sizes for Selected Units and Total Smithsonian

Property Type	Unit	Population		Sample	
		Count	Value	Count	Value
Laptop Computers	NMNH	295	$666,225	69	$147,106
	NZP	165	$290,714	19	$36,688
	OFEO	281	$545,186	37	$75,609
	Total Selected Units	741	$1,502,125	125	$259,403
	Total Smithsonian	2,576	$5,440,387	125	$259,403
Motor Vehicles	NMNH	7	$111,270	7	$111,270
	NZP	56	$682,430	16	$178,974
	OFEO	442	$8,053,663	39	$656,405
	Total Selected Units	505	$8,847,363	62	$946,649
	Total Smithsonian	748	$12,816,052	62	$946,649
Weapons	NMNH	41	$4,034	29	$2,633
	NZP	14	$11,400	9	$10,470
	OFEO	749	$308,486	40	$14,053
	Total Selected Units	804	$323,920	78	$27,157
	Total Smithsonian	855	$354,160	78	$27,157

For our sample of motor vehicles, laptop computers, and weapons, we tested attributes related to:

- Acquisition - Did buyers use appropriate purchasing methods?
- Receiving - Did units follow recommended property receiving procedures?
- Existence - Was the property physically present?
- Assignment and accountability – Did relevant accountability forms exist?
- Accuracy of recorded information – Was property information in the AM system accurate?

To test these attributes, we reviewed purchasing documentation and relevant Smithsonian forms, and interviewed accountable property officers, property custodians, and other management and staff at several Smithsonian units. We physically observed each asset at several locations, including Washington, D.C.; Front Royal, VA; Suitland, MD; and Landover, MD.

We tested 19 assets from our sample that were in the process of being disposed to determine whether the Smithsonian is updating the property records in a timely manner and complying with GSA disposal regulations.

To determine whether Smithsonian units have developed and implemented procedures to account for unit-controlled property, we surveyed all 61 Smithsonian units and received 57 responses. We verified the information contained in the responses for three different judgmentally selected units.

To determine whether access to the Smithsonian's AM system is properly restricted, for a judgmental sample of 25 authorized users, we tested whether the users had proper AM

system authorization forms completed and whether the level of access was appropriate given the user's job description.

We conducted our audit between June and October 2009 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 findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B. SMITHSONIAN SENSITIVE PROPERTY ITEM LIST

SENSITIVE PROPERTY ITEMS LIST

Sensitive property is a form of non-capitalized property with an acquisition cost of $500 or more that is officially recorded and tracked in the Office of Contracting and Personal Property Management (OCon&PPM) centralized, automated system. This type of personal property is subject to pilferage and inappropriate use and disposal.

- Camcorders
- Cameras
- Firearms, regardless of cost
- Foreign gifts with a retail value of $305 (USD)
- Laptop computers
- Motorcycles
- Motor vehicles (transportation equipment, automobiles, trucks, vans, carts, boats, ships)
- Palm Pilots, BlackBerries, and equivalent types of personal data devices
- Portable digital media players, such as iPods and MP3 and MP4 players
- Projectors, except when permanently mounted
- Tape and disc recorders/players, except when rack-mounted
- Televisions, except when permanently mounted

APPENDIX C. SI-3522 REPORT OF SURVEY FOR MISSING, DAMAGED, OR DESTROYED PROPERTY FORM

Smithsonian Institution

SI-3522

Report of Survey for
Missing, Damaged or Destroyed Property Form

(Complete and send as an e-mail attachment to OConHelp)

Incident Date	Reporting Office and Location	Report Number (OCon Use Only)	
Accountable Property Officer's Name and Title		Signature	Date
Property Custodian's Name		Signature	Date

Dept ID	Type of Property: ☐ Federal ☐ Trust ☐ Capitalized ☐ Non-Capitalized ☐ Sensitive ☐ Expendable ☐ 802 or 803 Funded ____/_____ Fund and Designated Codes	Was OPS Notified? ☐ Yes ☐ No Date: Name of OPS Official Contacted:

Item #	SI Tag #	Serial #	Description	Year	Acquisition Cost

Description of Events (Include all specifics regarding the missing, damaged or destroyed property). Continue on an additional sheet if necessary.

OCon Use Only Below This Line

Findings and Recommendations of Survey Board or Property Management Branch.

I concur with the above findings and authorize action to be taken therein.

_____
Property Manager's Signature and Date

Item # from above	Disposition of Property
	Adjustment of property records not applicable or required
	Action initiated to adjust property records
	Recommendations provided to the Accountable Property Officer
	Disposition instructions provided to the Accountable Property Officer
	Other (Specify)
Date	Property Manager, PMB Signature

SI-3522, Report of Survey for Missing, Damaged or Destroyed Property PMB:OCon
February, 2008 (Rev)

APPENDIX D. SI-4554 Property Assignment Receipt Form

Smithsonian Institution

SI 4554

Property Assignment Receipt Form

(Complete and send as an email attachment to OConHelp or fax to 202.633.7399)

Receipt Number	Date	Issuing Organization Location	Receiving Organization Location

Assignment To►	Name	Department ID	Type of Property ☐ Capitalized ☐ Non-Capitalized ☐ Sensitive

Received From (Issuing Officer Name and Title)	Signature of Issuing Officer

STATEMENT OF RESPONSIBILITY

I have received the item(s) listed below and accept personal responsibility for the property. As an employee, contractor, or other individual of the Smithsonian Institution to whom Smithsonian property has been entrusted, I clearly understand that: (1) I am responsible for the proper custody, care and safeguarding of the property whether in use or in storage; (2) I am authorized to use the property for official business only; (3) I will return the property to the issuing office when no longer required for the purpose intended, upon demand, transfer, or separation from the Smithsonian; (4) I am responsible for making good the loss or damage to the property and may be held financially liable unless I can show to the satisfaction of the Survey Officer, on a "Report of Survey" explaining the circumstances of the case, that the loss, damage, or destruction of the property was not occasioned by any fault, abuse, or neglect of mine.

Item No.	Detailed Description	SI Tag #	Serial Number	Acquisition Cost

Printed Name and Title of User	Printed Name and Title of Receiving Officer When Returned
Signature of User	Signature of Receiving Officer
Date of Issue	Date Returned

SI 4554, Property Assignment Receipt Form
July, 2008 (Rev)

PPOB:OCon&PPM

APPENDIX E. SI-4153 Off-Site Property Utilization Authorization Form

Smithsonian Institution

SI 4153

Off-Site Property Utilization Authorization Form

Description of Property		
SI Tag #	**Item (brand name, model # and serial #)**	**Acquisition Cost**

Borrowing Individual		
I assume complete responsibility for the property listed above and certify that it shall be used only in the conduct of official Smithsonian business that cannot be accomplished on-site during normal business hours.		
Print Name	Signature	Authorization Period (NTE 6 months)
Organization Name	Department ID	Telephone Number
Date	Address where property will be used	Date of Request

Approval to Remove Property	
Name of Accountable Property Officer	Date
Signature of Accountable Property Officer	Date
Name of Property Custodian	Date
Signature of Property Custodian	Date
This authorization allows the individual listed above to remove the property described from a Smithsonian building or worksite for official business use only for the period shown. Removal of this property will not adversely affect the performance of official duties in the organization by the requesting employee or any other organization employee. The property being removed is not excess property and the individual receiving the property is accountable for its safekeeping.	

Receipt for Return of Property	
Signature of Accountable Property Officer	Date of Return

SI 4153, Off-Site Property Utilization Authorization Form PPOB:OCon&PPM
July, 2008 (Rev)

APPENDIX F. MANAGEMENT RESPONSE

Smithsonian Institution

Memo

Office of the Chief Financial Officer
Office of Contracting and Personal Property Management

Date November 13, 2009

To A. Sprightley Ryan, Inspector General

cc G. Wayne Clough, Secretary
Alison McNally, Under Secretary for Finance and Administration
Richard Kurin, Under Secretary for History, Art, and Culture
Scott Miller, Acting Under Secretary for Science
Bruce Kendall, Director, Office of Facilities Engineering and Operations
Steven Monfort, Acting Director, National Zoological Park
Cristián Samper, Director National Museum of Natural History
Ann Speyer, Chief Information Officer
Judith Leonard, General Counsel

Through Alice C. Maroni, Chief Financial Officer

From Robert Fraga, Director, Office of Contracting and Personal Property Management

Subject Management Response to IG Report on Personal Property Accountability, Number A-09-06

Thank you for providing this opportunity to comment on the October 28, 2009, draft audit report on Personal Property Accountability, Number A-09-06.

Management appreciates your acknowledgement that "recent changes in policies and procedures have substantially improved the management of recorded personal property at the Smithsonian." It is noteworthy that out of the 265 Smithsonian Institution (SI) assets audited by the Office of the Inspector General (OIG) only 2 were not located. In our detailed review of the draft and its recommendations, we present the following management response.

RESULTS IN BRIEF

1. Page 2, first bullet:

   We respectfully request that the following statements be clarified. The current statements *"The Smithsonian did not hold individuals accountable for personal property. The Smithsonian did not believe that they could hold individuals accountable without a signed form acknowledging responsibility for the property in their possession."* makes it unclear as to where the onus of this responsibility lies.

   Comment: The following proposed construction eliminates the impression that no one has the responsibility for documenting the transfer of property possession:

PO Box 37012, CC 350, MRC 1200
Washington, DC 20013-7012
202.633.7290 Telephone
202.633.7319 Fax

While the Smithsonian has clearly defined policy with regard to receiving personal property items and clearly assigns the responsibility to secure signatures from individuals receiving assigned property to Accountable Property Officers (APOs), with assistance from Property Custodians (PCs), it appears this policy is not being adhered to; thus making it difficult to hold individuals accountable for personal property.

RESULTS OF AUDIT

1. On page 6, *The Smithsonian Did Not Hold Individuals Accountable for Personal Property:* We respectfully request that the following statements be clarified. The last sentence of the paragraph reads:

   In our opinion, the lack of consequences for the missing property diminishes the expectations that individuals will maintain the high ethical standards required by the institution's Statement of Values and Code of Ethics.

   Comment: Accepting that this is the opinion of the OIG, OCon&PPM would assert that there is no known correlation between the lack of consequences for missing property and the diminishment of SI staff maintaining high ethical standards. We therefore request that it be stated explicitly that no such implication is intended or that this language be stricken from the report.

RECOMMENDATIONS

Recommendation #1:

Strengthen adherence to personal property management policies and procedures by conducting regular compliance reviews, including ensuring that individuals are being held accountable for missing property.

Comment: Concur

Planned Action:

OCon&PPM oversight of property management activities at the units shall be enhanced through the development and implementation of a Personal Property Management Compliance Review methodology. The methodology shall include a 3-5 year cyclical SI-wide compliance review schedule. The schedule will reflect the piloting of the review process in FY 2011, and full implementation in FY 2012 contingent on available resources. Updates to the Personal Property Management Manual (SD 315) currently underway will reflect this action. Updates shall emphasize internal controls for ensuring that the assignment of personal property assets to individuals are documented and that those individuals

are held accountable when the assigned personal property assets are determined to be damaged, missing or lost due to negligence.

Target Date: June 30, 2010 (Manual updates completed)
December 31, 2010 (Piloting of review process completed)

Recommendation #2:

Direct all units to complete property accountability forms as required by the Smithsonian's personal property policies and procedures, ensuring that individuals receive fair notice of their responsibility to safeguard property.

Comment: Concur

Planned Action:

OCon&PPM shall issue an email message to remind SI employees where they may locate the requisite personal property accountability forms with guidance on appropriate use of the forms. Language will be included to remind employees that they are required to sign the SI 4554, Property Assignment Receipt Form, when SI personal property assets are assigned for their use.

Target Date: December 15, 2009

Recommendation #3:

Update the policies and procedures to require (a) individuals to sign the property accountability form acknowledging responsibility for all accountable personal property in their possession, including property that the individual shares with a group and property an individual is repairing, preparing for disposal, storing, or otherwise not actively or exclusively using; and (b) units to submit the accountability forms when reporting missing property.

Comment: Concur

Planned Action:

As part of the action planned for Recommendation #1 above, OCon&PPM shall ensure that the language in Chapter 4, Section 4.9 of the Personal Property Management Manual clearly cites SI employees' responsibilities for accountability for assigned personal property assets, whether in use, being repaired or pending disposal, including property shared by a group.

Target Date: June 30, 2010

Recommendation #4:

Evaluate whether the Smithsonian could more cost-effectively record and track property issuance to individuals (a) using an electronic system, rather than paper based forms; and (b) utilizing the Institution's existing AM system to track property issuance.

Comment: Concur

Planned Action:

OCon&PPM will research systems available to electronically record and track assignment of personal property assets to individuals, and develop and implement systems to meet SI needs as available resources permit.

Target Date: December 31, 2010

Recommendation #5:

Require and offer personal property training for property custodians.

Comment: Concur

Planned Action:

OCon&PPM shall develop and conduct bi-annual briefings for property custodians to provide an overview of personal property management policy and requirements for unit compliance. These briefing shall be conducted in one of the large SI auditoriums. In addition, OCon&PPM shall determine the availability of web-based training programs.

Target Date: December 31, 2010

Recommendation #6:

Perform a risk-based evaluation of whether the Smithsonian should:

a. *Remove the minimum dollar threshold for high-risk items on the sensitive property item list;*
b. *Based on the results of the PII inventory, add to the sensitive property list other IT equipment with memory storage capability that contains sensitive information.*

Comment: Concur

Planned Action:

a. OCon&PPM shall conduct a risk-based evaluation to determine the extent to which the SI may be vulnerable if items indicated by the IG to be high risk sensitive personal property are lost. OCon&PPM shall revise Appendix A of the Personal Property Management Manual as results of the evaluation deem appropriate.
b. Although the PII inventory is not scheduled to occur until FY 2012, OCIO will increase awareness of existing policy requiring users to take steps that ensure sensitive information is always encrypted-at-rest on any media upon which it resides. In conjunction with the policy implemented by OCIO, OCon&PPM will make changes to its policy as appropriate.

Target Date: November 30, 2010 (part a) and November 30, 2010 (part b)

Recommendation #7:

Immediately evaluate whether mitigating controls to protect sensitive information could be implemented prior to the 2012 PII inventory.

Comment: Concur

Planned Action:

In conjunction with planned action for Recommendation 6.b, OCIO will take action to increase awareness of existing policy regarding handling of sensitive data prior to the 2012 PII inventory.

Thank you for the opportunity to provide management's response. Questions you may have regarding this response may be directed to Daphne M. McBryde for a coordinated response. Ms. McBryde may be reached at telephone 202.633.7409 or via email at McBrydeD@si.edu.

APPENDIX G. CONTRIBUTORS TO REPORT

The following individuals from the Smithsonian Office of the Inspector General contributed to this report:

Daniel R. Devlin, Assistant Inspector General for Audits
Brian W. Lowe, Supervisory Auditor
Michelle S. Uejio, Auditor
Mary B. Stevens, Auditor