

REVIEW OF EXPENSES ASSOCIATED WITH  
FURNISHING, REDECORATING, PURCHASING  
FURNITURE OR MAKING IMPROVEMENTS  
TO COMMISSION OFFICES

OIG/99A-08 July 12, 1999

July 12, 1999

MEMORANDUM TO: William D. Travers  
Executive Director for Operations

FROM: Thomas J. Barchi  
Assistant Inspector General for Audits

SUBJECT: REVIEW OF EXPENSES ASSOCIATED WITH FURNISHING,  
REDECORATING, PURCHASING FURNITURE OR MAKING  
IMPROVEMENTS TO COMMISSION OFFICES

Attached is the Office of the Inspector General's audit report titled "Review of Expenses Associated With Furnishing, Redecorating, Purchasing Furniture or Making Improvements to Commission Offices." This report reflects the results of our review as stated above.

On June 2, 1999, we provided a draft of this report to the Deputy Executive Director for Management Services. On July 6, 1999, the Deputy Executive Director for Management Services responded to our draft report and agreed with the report's recommendations. Corrective actions on all of our recommendations are either underway or completed.

Please contact me on 415-5915 if we can assist you further in this matter.

Attachment: As stated

## REPORT SYNOPSIS

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During December 1998, the Office of the Inspector General received an anonymous concern suggesting that substantial funds may have been expended for furnishing, redecorating, purchasing furniture or making improvements to Commission offices within the U.S. Nuclear Regulatory Commission (NRC). Further, the concern alleged that these funds may have been in excess of the \$5,000 statutory limitation established by the Congress for Presidential appointees. As a result, we initiated a review to determine whether NRC complies with applicable laws and regulations regarding expenses associated with furnishing, redecorating, purchasing furniture or making improvements to Commission offices and to determine whether these expenses are recorded and tracked during the complete term of office for each Presidential appointee.

Based on our evaluation, we found that: (1) NRC is in compliance with laws and regulations regarding limits on expenditures of monies for Presidential appointees' offices, (2) these expenses are recorded and tracked during the complete term of each Presidential appointee, and (3) NRC needs to improve its accountability and controls for funds spent on Presidential appointees' offices.

Our report provides three recommendations to improve NRC's management controls and provide further accountability for documenting and justifying the basis for important decisions in this area.

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## INTRODUCTION

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During December 1998, the Office of the Inspector General (OIG) received an anonymous concern suggesting that substantial funds may have been expended for furnishing, redecorating, purchasing furniture or making improvements to Commission offices within the U.S. Nuclear Regulatory Commission (NRC). Further, the concern alleged that these funds may have been in excess of the \$5,000 statutory limitation for such expenditures by Presidential appointees.

During a similar OIG review in 1991<sup>(1)</sup> we observed that NRC had procedures for monitoring these funds. In the 1991 review, we reinforced the importance of maintaining these controls throughout the complete term of office for each Presidential appointee.

Our overall objectives for this current review were to determine whether NRC complies with applicable laws and regulations and to determine whether associated expenses are recorded and tracked during the complete term of office for each NRC Commission member. Appendix I contains additional information on our objectives, scope, and methodology.

## BACKGROUND

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During the past ten years, guidelines limiting the obligation and expenditure of monies used for offices of Presidential appointees have undergone significant changes. The General Services Administration (GSA) Bulletin Federal Property Management Regulation (FPMR) 215, dated August 19, 1988, prohibited agencies and departments from spending or obligating more than \$5,000 for renovating, remodeling, furnishing or redecorating offices for Presidential appointees. In addition, any expenditures over this amount needed express approval by the Committees on Appropriations of the House and Senate.

Section 614 of Public Law 101-136, dated November 3, 1989, provided that agencies and departments may not obligate or expend in excess of \$5,000 to furnish or redecorate, or to purchase furniture or make improvements for Presidential appointees' offices. This limitation applies during the appointee's complete term of office. This law changed the previous guidance in two ways. First, it made the \$5,000 limitation applicable for the duration of each Presidential appointee's term and second, it deleted the words "renovation" and "remodeling"

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<sup>1</sup> *Review of Expenses Associated with Furnishing, Decorating, and Renovating Chairman Selin's Office*, September 18, 1991, OIG 91A-11.

from the \$5,000 spending ceiling. This new language is embodied in GSA Bulletin FPMR D-222, dated February 16, 1990, titled *Public Buildings and Space*.

Finally, during 1992, Section 618 of Public Law 102-393 amended the previous language by defining “office” as the “entire suite of offices assigned to the individual, as well as any other space used primarily by the individual or the use of which is directly controlled by the individual.”

In order to incorporate relevant laws and regulations of control agencies such as GSA and to provide procedures and accountability for property, furniture, and supplies, NRC has developed internal guidance. This guidance includes Management Directives, internal procedures, and in addition, NRC has requested and received assistance from GSA in developing general criteria to determine which expenses are applicable to the \$5,000 statutory limitation.

Current NRC guidance provides that the \$5,000 spending ceiling generally applies to items of a decorative nature or purchases that are motivated by personal preference such as (1) change in furniture fabric, (2) removal or replacement of existing serviceable built-in cabinets and book shelves, and (3) replacement of existing serviceable furniture based on personal preference for style, color, or pattern, if existing furniture is still in good condition. Alternatively, the \$5,000 ceiling generally does not apply to items or improvements having lasting, functional benefits to future holders of the office such as (1) security or lighting upgrades, (2) legitimate entitlements for executive schedule office holders, (3) maintenance, routine repairs, and cyclical replacement due to normal wear and tear, and (4) substitution of existing NRC warehouse stock for existing suite furnishings.

## **RESULTS OF AUDIT**

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Our review determined that NRC has complied with applicable laws and regulations regarding funds expended on NRC Commission offices. However, we found that improved documentation and tracking for such funds is needed.

**NRC IS IN COMPLIANCE WITH LAWS AND REGULATIONS REGARDING LIMITS ON EXPENDITURES FOR OFFICES OF PRESIDENTIAL APPOINTEES**

Our review of NRC expenditures occurring since May 2, 1995,<sup>(2)</sup> associated with furnishing, redecorating, purchasing furniture or making improvements to Commission offices indicated that the agency is in compliance with laws and regulations regarding limits on expenditures for Presidential appointees.<sup>(3)</sup> We also found that these expenses are recorded and tracked during the complete term of office for each NRC Commission member. We found that no Commission members for the period under review exceeded the \$5,000 statutory limitation for these types of sensitive payments.

Commission expenditure files represent a management tool to maintain source documentation and reflect decisions made for sensitive payments for Commission members. OIG contacted an Office of Administration (ADM) representative and reviewed the documentation within the Commission expenditure files (the "files"). Based on our analysis of the documentation in the files, we found:

- (1) Total Commission office expenditures (rounded) for the period under review were approximately \$85,100. Of that total, about \$13,700 or 16 percent, was subject to the \$5,000 statutory limitation.
- (2) Except for minor rounding differences, costs subject to the \$5,000 statutory limitation on ADM's existing summary sheets within the files are accurate. No Commission member in office since May 2, 1995, exceeded this limitation for office expenses associated with furnishing, redecorating, purchasing furniture, or making improvements.
- (3) Office expenditures have been tracked during the complete term of office for each NRC Commission member.
- (4) Files were readily available for OIG's examination.

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<sup>2</sup> Date oath administered to Shirley A. Jackson, Commissioner. On July 1, 1995, Shirley A. Jackson assumed the Chairmanship. All other current NRC Commissioners assumed office after May 2, 1995.

<sup>3</sup> Refer to Appendix II for an overview of NRC standards, procedures, and responsibilities in this area.

- (5) Access to and accountability for files was limited to authorized NRC employees only.
- (6) Appropriate NRC personnel, acting within the scope of their authority, reviewed these files.
- (7) NRC properly separated key duties and responsibilities for authorizing, processing, recording, and reviewing these files.

#### **NRC NEEDS TO IMPROVE ITS TRACKING INFORMATION AND ACCOUNTABILITY OF EXPENDITURES FOR OFFICES OF PRESIDENTIAL APPOINTEES**

ADM needs to improve its tracking of expenses and accountability for important decisions related to funds spent for Commission offices. During our review we found that improvements were needed for controls, procedures, and justification basis for important decisions related to this process. Also, NRC Management Directive (MD) 13.1, titled *Property Management*, needs updating to reflect current organizational responsibilities and authority for administering these expenditures. In the absence of improvements, sensitive payments subject to the \$5,000 statutory limitation might not be adequately tracked and monitored and this could lead to undocumented decisions affecting the statutory limitation.

NRC personnel acting within the scope of their authority should have adequate procedures and guidance associated with the obligation and expenditure of monies for Commission offices. As stated in this review, we performed an analysis of the source documentation found in NRC Commission members' files to determine whether NRC was in compliance with applicable laws and regulations. When we examined the source documentation within the files, we found that: (1) two of the files did not contain expenditure summary sheets, (2) two summary sheets did not contain the name of the Commission member, (3) none of the files contained a correct starting point date indicating when an individual officially became a member of the Commission, and (4) none of the files contained total expenditures to date, broken down by expenditures subject to or not subject to the \$5,000 developed from the source documentation.

We believe that an important management control would be some notation on each invoice that clearly indicates whether the expense counts against the \$5,000 statutory limitation, the date of the decision, and who was responsible for the decision. In almost all cases we reviewed, the invoices in the files did not contain either a signature (or the initials) of the ADM individual responsible for documenting the Commission expense, or a date to indicate when the determination was made.

To analyze documentation in Commission expenditure files, we developed an



expenditures to date listing of expenses for each Commission member broken down into two categories - total dollar expenditures subject or not subject to the \$5,000 statutory limitation. We shared this listing information with ADM as a possible sample format to use in improving their monitoring and tracking process. We recognize that, during July 1998, ADM set up a tracking system to monitor the status of purchases, deliveries, and services for the Commission; however, this system was not set up to track costs.

We also found that agency procedures for the Commission office expenditure process need improvement. We noted that ADM does not have formal written procedures that would define the entire approval and recordkeeping process. In a recent discussion with an ADM official, we were encouraged that they are now in the process of developing such procedures. Also, MD 13.1 needs to be updated to reflect current organizational responsibilities and authority regarding expenditure of monies for offices of Presidential appointees. It is our understanding that ADM also plans to revise MD 13.1 accordingly.

#### Expenditures Needing Additional Justification

During our review we requested additional information for two items. Both items represented purchases that were not classified as personal preference items and, therefore, did not count against the \$5,000 statutory limitation. We sought additional information because file documents did not contain sufficient information to fully justify the final decisions. The invoices in question were for \$289.44 and \$4,083.00 respectively. As a result, we met with an ADM official to obtain further explanation.

ADM officials provided supplementary explanation to justify their rationale for classifying the \$289.44 expense as a non-personal preference item. We did not further pursue this expense. ADM officials also told us that part of the \$4,083.00 expense was actually attributable to the One White Flint North Restack project and, therefore, those funds (in accordance with GSA guidance) were not charged against the \$5,000 statutory limitation. They stated that the balance of these funds were actually attributable to improvements in the "building structure" and not a Commission office. As a result, ADM officials also did not count the balance of funds associated with the \$4,083.00 invoice against the \$5,000 limitation. Because building structure improvements represent lasting, functional benefits to future office holders and are not considered a personal preference item, we closed this issue. However, these two items indicated the need for improved management controls to justify final decisions.

## CONCLUSIONS

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Our evaluation of NRC expenditures occurring since May 2, 1995, associated with furnishing, redecorating, purchasing furniture or making improvements to Commission offices indicated that the agency is in compliance with laws and regulations regarding limits on expenditures for Presidential appointees. As a result, no Commission members for the period under review exceeded the \$5,000 statutory limitation for these sensitive payments.

Our evaluation disclosed, however, that ADM needs to improve the tracking of expenses, accountability, and the justification for its basis of important decisions for Commission office expenses. We believe that the sensitive nature of these expenses requires additional management controls so that decisions can withstand public scrutiny. Without such controls, we are also concerned that expenses may not be properly justified and could exceed the statutory limitation.

## RECOMMENDATIONS

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To improve the management controls for Commission office expenditures, we recommend that the Director, ADM:

- (1) Revise and update MD 13.1, titled *Property Management*, to reflect current organizational responsibilities and authority regarding expenditure of monies for offices of Presidential appointees.
- (2) Develop formal written procedures that clearly define the entire approval, justification, and recordkeeping process.
- (3) Develop a new tracking system to summarize source documentation within the Commission expenditure files to facilitate monitoring total expenses and amounts subject to the \$5,000 statutory limitation.

## OIG COMMENTS ON AGENCY RESPONSE

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On July 6, 1999, the Deputy Executive Director for Management Services responded to our draft report (see Appendix III), and agreed with our three recommendations, and presented the corrective actions they plan to implement to address our concerns. We believe these actions will address the intent of our recommendations.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

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Our overall objectives were to determine whether the U.S. Nuclear Regulatory Commission (NRC) complies with applicable laws and regulations regarding expenses associated with furnishing, redecorating, purchasing furniture or making improvements to Commission offices and to determine whether associated expenses are recorded and tracked during the complete term of office of each Presidential appointee.

To address our objectives, we reviewed NRC files and documentation maintained by the Office of Administration (ADM). Specifically, we reviewed ADM's Commission expenditure file documentation for expenditures occurring from May 2, 1995, through January 12, 1999. This source documentation, such as invoices, forms the basis for important decisions for the expenditure of monies for offices of Presidential appointees at NRC. Our efforts included an examination of all the documentation in the files for this period. We also interviewed the appropriate ADM officials responsible for this process.

We reviewed the relevant management controls for obligation and expenditure of monies for offices of Presidential appointees at NRC and performed our audit work from December 1998 through February 1999 in accordance with generally accepted Government auditing standards.

## **OVERVIEW OF NRC STANDARDS, PROCEDURES, AND RESPONSIBILITIES**

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U.S. Nuclear Regulatory Commission (NRC) Management Directive (MD) 13.1, dated July 31, 1996, titled *Property Management*, establishes and applies standards and procedures for the use of property such as Federal Property Management Regulations, and incorporates relevant regulations of control agencies such as the General Services Administration. The Director, Office of Administration (ADM), provides overall management of the NRC property and supply programs. Office Directors and Regional Administrators ensure that (1) organizational requirements reflected in requisitions for supplies, furniture, equipment, and related services are fully justified and support existing NRC mission-related activities, and (2) requisitions are certified for furniture, equipment, related services, and supplies not listed in the NRC stock list.<sup>(1)</sup>

The Director, Division of Contracts and Property Management, ADM, provides controls and accountability for NRC property, furniture, and supplies, and furnishes NRC property and supply, and warehouse services. MD 13.1 also provides that central accountability for NRC property is maintained by the Division of Facilities and Security (DFS), ADM. Specifically, the Chief, DFS, serves as the Property Management Officer and keeps records to ensure the \$5,000 limitation established by Public Law 101-136 to furnish or redecorate an NRC political appointee's office is not exceeded.<sup>(2)</sup>

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<sup>1</sup> Stocked furniture items are held at the NRC warehouse, a central repository for bulk-supply stock and furniture, and are issued after receipt of an NRC Form 30, "Request for Administrative Services."

<sup>2</sup> Section 614 of Public Law 101-136, (1989) and Section 618 of Public Law 102-393 (1992) have changed this provision to include the purchase of furniture or making improvements to Presidential appointees' entire suite of offices.



















## **MAJOR CONTRIBUTORS TO THIS REPORT**

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Team Leader

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## GLOSSARY: OFFICE OF THE INSPECTOR GENERAL PRODUCTS

### INVESTIGATIVE

1. *INVESTIGATIVE REPORT - WHITE COVER*

An Investigative Report documents pertinent facts of a case and describes available evidence relevant to allegations against individuals, including aspects of an allegation not substantiated. Investigative reports do not recommend disciplinary action against individual employees. Investigative reports are sensitive documents and contain information subject to the Privacy Act restrictions. Reports are given to officials and managers who have a need to know in order to properly determine whether administrative action is warranted. The agency is expected to advise the OIG within 90 days of receiving the investigative report as to what disciplinary or other action has been taken in response to investigative report findings.

2. *EVENT INQUIRY - GREEN COVER*

The Event Inquiry is an investigative product that documents the examination of events or agency actions that do not focus specifically on individual misconduct. These reports identify institutional weaknesses that led to or allowed a problem to occur. The agency is requested to advise the OIG of managerial initiatives taken in response to issues identified in these reports but tracking its recommendations is not required.

3. *MANAGEMENT IMPLICATIONS REPORT (MIR) - MEMORANDUM*

MIRs provide a "ROOT CAUSE" analysis sufficient for managers to facilitate correction of problems and to avoid similar issues in the future. Agency tracking of recommendations is not required.

### AUDIT

4. *AUDIT REPORT - BLUE COVER*

An Audit Report is the documentation of the review, recommendations, and findings resulting from an objective assessment of a program, function, or activity. Audits follow a defined procedure that allows for agency review and comment on draft audit reports. The audit results are also reported in the OIG's "Semiannual Report" to the Congress. Tracking of audit report recommendations and agency response is required.

5. *SPECIAL EVALUATION REPORT - BURGUNDY COVER*

A Special Evaluation Report documents the results of short-term, limited assessments. It provides an initial, quick response to a question or issue, and data to determine whether an in-depth independent audit should be planned. Agency tracking of recommendations is not required.

### REGULATORY

6. *REGULATORY COMMENTARY - BROWN COVER*

Regulatory Commentary is the review of existing and proposed legislation, regulations, and policies so as to assist the agency in preventing and detecting fraud, waste, and abuse in programs and operations. Commentaries cite the IG Act as authority for the review, state the specific law, regulation or policy examined, pertinent background information considered and identifies OIG concerns, observations, and objections. Significant observations regarding action or inaction by the agency are reported in the OIG Semiannual Report to Congress. Each report

indicates whether a response is required.