
Office of Inspector General

**Management Advisory on Internal Controls
Over Personal Property in TASC's Photography
Section**

**Report Number MA-1998-028
Date Issued: November 26, 1997**





**U.S. Department of
Transportation**

Office of the Secretary
Of Transportation

Office of Inspector General

Memorandum

Subject: ACTION: Management Advisory on Internal
Controls Over Personal Property in TASC's
Photography Section, Report Number: MA-1998-028

Date: November 26, 1997

From:


Lawrence H. Weinrob
Assistant Inspector General for Auditing

Reply to
Attn of:

To: George Fields, Director
Transportation Administrative Service Center

This management advisory addresses the adequacy of internal controls to account for photographic equipment in the Transportation Administrative Service Center's (TASC) Photography Section (Section). We made the review as a result of a complaint to the Office of Inspector General's Hotline.

Results

The property records maintained by the Property Officer did not provide adequate accountability over sensitive photographic equipment. Thirty-one items of equipment valued at \$16,479 were disposed of or traded in, and deleted from the property records without obtaining the approval of the Chief of the Publication Services Division. Eleven items of equipment onhand valued at \$7,126 were not recorded in the property records. Further, (1) the Section allowed photographers to remove equipment from a central equipment pool without keeping records for accountability and (2) equipment trade in practices were subject to abuse.

Failure to follow prescribed property accountability procedures weakens the internal control system, and is contrary to Department of Transportation (DOT) Order 4410.4. To address these weaknesses, a system of internal controls must be established and enforced. At a minimum, the internal control system should:

- Ensure documentation for new equipment is timely transmitted to the Property Officer for entry in the property records;
- require personnel to sign for equipment when removing it from the Section; and
- ensure future trade ins and disposals of Section equipment are properly authorized and documented.

Background

The Section is included in the Information Services Unit of the Publications Service Division. The Section provides photographic services, such as taking photos for special events, employee passports, and executive portraits. The Section has about 65 items of accountable property worth about \$114,000.

DOT Order 4410.4, "Equipment Management and Control," requires formal property records for all Government-owned equipment with an acquisition cost of \$1,000 or more, or equipment considered "sensitive."¹ Because photographic equipment is sensitive, it is also accountable property. Documents pertaining to the acquisition and disposal of accountable property must be signed by the responsible Property Custodian and approved by the Chief of the Publication Services Division. The Property Officer is required to enter all accountable property into the property records. Further, when someone disposes of an item of equipment, a document should be generated and signed by the Chief of the Publication Services Division. This document is supposed to become a permanent part of the property records.

Failure to Record Equipment in the Property Records

During our inventory test of Section items to the property records, we found 11 accountable items, valued at more than \$7,126, that were not recorded in the property records. (See Exhibit A.) The Property Custodian stated some of the property was very old and was never recorded into the property records (1 through 5). For two items (6 and 7), we established approximate values from similar property onhand. The remaining equipment (8 through 11) was valued using the March 1997 trade in allowed by the local camera shop where the camera equipment was traded in. Section personnel entered this equipment on the property record in September 1997, after we brought this issue to their attention, approximately 6 months after the equipment was purchased.

¹ Sensitive equipment, regardless of its acquisition cost, is by its nature subject to theft, loss, conversion to personal use, or for some other reason must be subject to more stringent controls than other equipment.

To facilitate tracking equipment acquisitions, current DOT property management procedures require supervisory approval and Property Officer notification of new property acquisitions. In this way, the Property Officer can track new equipment purchases and follow up to determine that equipment is received and recorded in the property records. Since the Property Officer did not receive proper notification, she was not alerted that new equipment was expected. As a result, she did not follow up to determine whether equipment had been received and recorded on the property records. This resulted in a lack of timely accountability over new property acquired and increased the risk that loss of this equipment could go undetected.

Recommendation: We recommend the TASC Director implement the necessary procedures and controls to ensure documentation for new equipment is timely transmitted to the Property Officer for entry in the property records.

Removing Equipment From the Section Without Establishing Accountability

The Section allows photographers to remove equipment from a central equipment pool for assignments. However, the Section does not employ a formalized checkout procedure, such as a log or a hand receipt, to establish accountability as required by current DOT property management procedures. The Property Custodian advised us the Section had previously used a hand receipt, but abandoned this procedure when the number of photographers dropped from five to two. As a result, the Section's control over its property is unnecessarily compromised. Some means of identifying who has custody over accountable equipment is a fundamental internal control contributing to effective property accountability.

Recommendation: We recommend the TASC Director resume requiring personnel to sign for equipment when removing it from the Section.

Disposing and Deleting of Equipment From the Property Records

We compared the records from our September 18, 1997, inventory with the May 4, 1995, inventory taken before DOT established TASC. During this period, 31 accountable items recorded on the inventory at \$16,479 were deleted from the property records without supervisory approval. (See Exhibit B.)

Items 1 through 28 were recorded on the property records totalling \$8,692. Section personnel did not document their determination that this trade in resulted in the greatest return to the Government. Further, Section personnel did not document their administrative determination they were allowed to use the exchange allowance to acquire new camera equipment. The failure of Section

personnel to make these determinations is contrary to Federal regulations and represents a significant deviation from good internal control practices. The problem goes well beyond the mere absence of effective internal controls. In fact, the OIG found that DOT employees, with ready access to this equipment, developed a scheme that allowed them to benefit personally from trading-in photography equipment. In short, they were able to establish a "trade-in value" for equipment they chose to "trade-in" for credits towards DOT's future purchases, and then had the ability to purchase the "traded-in" equipment for their personal use at their self-established "trade-in" value plus a small percentage mark-up. This scheme is currently under investigation.

We also determined that items 29 through 31 had been turned over to the General Services Administration after purchasing replacement equipment.

Recommendation: We recommend the TASC Director require the Information Services unit to establish appropriate internal controls to assure that future trade ins and disposals of accountable equipment in the Section are properly authorized and documented.

Management Comments

The results of our review were discussed with the Director of TASC on November 4, 1997. He agreed with the findings and recommendations. He indicated corrective action would be immediately taken and completed by the end of December 1997. No further response is required to this report.

Exhibit A

Photography Equipment Not on Inventory List

Item No.	Description	Serial Number	Cost
1	Kodak 12" Lens	ES840	Unknown
2	Kodak 10" Lens	ET180	Unknown
3	Kodak 190mm Lens	RR383	Unknown
4	Kodak 10" Lens	EI136	Unknown
5	Kodak 14" Lens	RY186	Unknown
6	Nikon 28mm Lens	328358	\$140
7	Speed ATRON Model D604	P185769	\$440
8	Mamiya 7 Camera	PC1366	\$1,849
9	Mamiya 80mm Lens	PA1047	\$1,299
10	Mamiya 150mm Lens	PB1198	\$1,799
11	Mamiya 65mm Lens	PB1219	\$1,599
Total			\$7,126

Exhibit B**Property Missing from Inventory**

Item No.	Inventory Bar Code	Description	Model Number	Serial Number	Cost
1	3702	Camera	ROL-220	2956099	\$725
2	3703	Camera	ROL-220	2956005	\$725
3	3714	Camera	X-700	1947361	\$299
4	3831	Camera	F3	1545070	\$455
5	3835	Lens	35mm	212117	\$155
6	3836	Lens	21mm	221913	\$209
7	3840	Lens	80-200z	230934	\$402
8	3841	Lens	35-70F3.3	2183652	\$160
9	3843	Lens	35-105F-35	1859649	\$310
10	3876	Lens	85mm	285571	\$167
11	3877	Lens	85mm	285657	\$167
12	3880	Lens	28mm	703685	\$167
13	3881	Lens	50mm	5221265	\$198
14	3883	Lens	35mm	897041	\$198
15	3884	Camera	F2	7699313	\$484
16	3885	Camera	F2	7639863	\$484
17	3886	Lens	135mm	411525	\$203
18	3887	Lens	85mm	427981	\$210
19	3888	Lens	55mm	346445	\$148
20	3889	Lens	300mm	308329	\$250
21	3890	Lens	50mm	2997436	\$151
22	3918	Lens	85mm	8004143	\$189
23	3919	Lens	85mm	8002662	\$140
24	3920	Lens	5.5cm	902757	\$130
25	3921	Lens	50m	9350522	\$126
26	3927	Camera	F3HP	1802805	\$760
27	3707	Motor Drive	MD-2	412576	\$540
28	3708	Motor Drive	MD-2	410295	\$540
29	10311	Processor	6386ELWGS	91TY51141898	\$2,087
30	12969	Processor	CPU-M42	106496466	\$2,850
31	13084	Processor	CPU-G72B	29-23161238 1/1	\$2,850
Total					\$16,479