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Report to the Chairman, Environment,
Energy, and Natural Resources
Subcommittee, Committee on
Government Operations, House of
Representatives

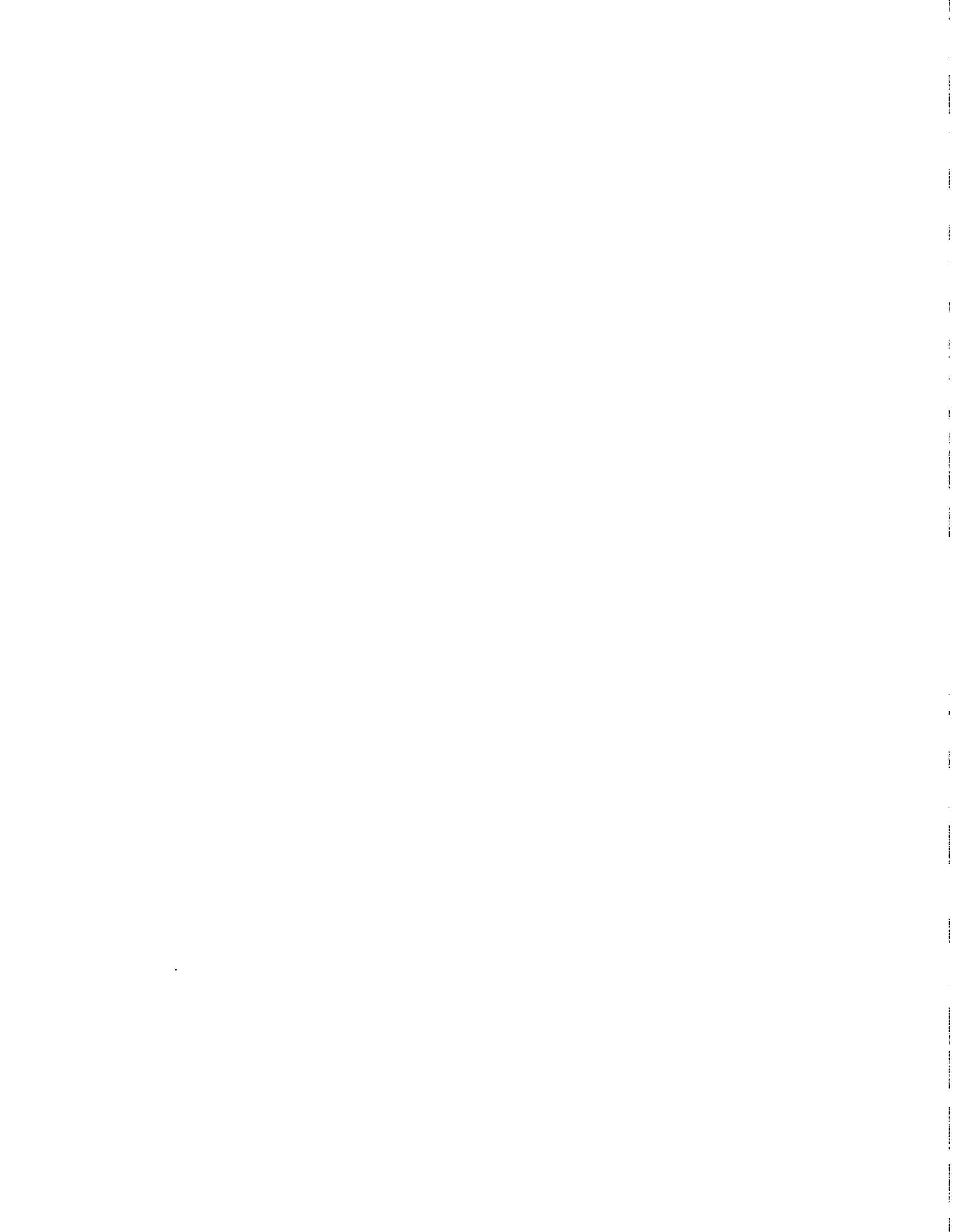
April 1994

DEPARTMENT OF
ENERGY

Status of DOE's
Property Management
Program



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Resources, Community, and
Economic Development Division

B-256705

April 7, 1994

The Honorable Mike Synar
Chairman, Environment, Energy, and
Natural Resources Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

In response to your request, this fact sheet provides information on the management of Department of Energy (DOE)-owned property by the 20 major contractors involved in defense-related activities.¹ As agreed with your office, we focused our review on identifying (1) the amount of missing property being reported to DOE by these contractors in their most recent property inventory reports, (2) the extent to which contractors' property management systems have been approved by DOE, and (3) examples of weaknesses reported in the most recent DOE review of the contractors' property management systems.

In summary, these 20 contractors reported missing property totaling about \$74.2 million in their most recent property inventory reports to DOE. This amount, however, is probably understated for two reasons. First, reviews conducted by us and DOE's Inspector General on certain of these contractors' property management systems concluded that a higher amount of property may be missing than reported by the contractors. Specifically, in our report on the Rocky Flats Plant, we found that in addition to the \$12.8 million in missing property reported by the contractor, the contractor could not physically locate another \$16.5 million in property.² As pointed out in that report, some of this latter property may have to be classified as missing. In another report on the Los Alamos National Laboratory, DOE's Inspector General concluded that millions of dollars more in property may be missing than reported in the latest inventory.³ Second, at least two of the contractors included in this review conducted only partial inventories. Therefore, the missing property

¹DOE-owned property, as discussed in this fact sheet, is property of any kind or type that is DOE-owned or -rented or -leased in the custody of DOE's contractors, excluding real property such as land or buildings; special source material, such as tritium; and petroleum.

²See Department Of Energy: The Property Management System at the Rocky Flats Plant Is Inadequate (GAO/RCED-94-77, Mar. 1, 1994).

³See Audit of Personal Property Management at Los Alamos National Laboratory (DOE/IG-0338, Dec. 1993).

totals reported by those contractors represent only what is missing from the property they inventoried.

Of the 20 contractors we reviewed, only 7 had property management systems that were approved by DOE as of January 31, 1994.⁴ Of the remaining contractors' systems, seven systems were conditionally approved (i.e., deficiencies exist that must be corrected within an established time frame), five remained unapproved, and one was disapproved. DOE's approval represents a determination that the contractor's system will adequately protect, maintain, utilize, and dispose of government property in accordance with federal and DOE property management regulations.

The Department, in reviewing the 20 contractors' property management systems, made over 400 recommendations. Some of these recommendations were aimed at fixing significant problems. For instance, in reviewing one contractor, DOE found that items such as copy paper, fluorescent light bulbs, truck mufflers, among others, were being scheduled for surplus sale while the contractor was buying new similar items from vendors. In a review of another contractor, DOE found that significant errors existed in the property inventory reports to DOE and that the value and volume of property in the possession of the contractor were significantly overstated. We further noted that for 10 of the 20 contractors included in our review, DOE had not completed its review on schedule.

This fact sheet contains three sections. Section 1 lists the missing property totals shown in the contractors' most recent property inventory reports. Section 2 lists the extent to which DOE had approved the contractors' property management systems as of January 31, 1994. Section 3 lists examples of weaknesses reported in the latest DOE review of the contractors' property management systems.

Agency Comments and Actions

As you requested, we did not obtain written agency comments on a draft of this fact sheet. However, we discussed the facts presented with the director and staff of DOE's Office of Contractor Management and Administration and have included their comments where appropriate. In their comments, these officials stressed that the Department is committed to improving its controls over contractors' property management systems by increasing headquarters oversight of this function. The officials pointed

⁴DOE regulations require DOE to review and approve or disapprove a contractor's property management system within the first year of the contract and every 3 years thereafter.

out that evidence of that commitment can be seen in the establishment of their office in June 1992 to tighten DOE's stewardship over contractors' property management systems and the numerous initiatives the Department has undertaken.

Those initiatives include (1) headquarters independent validation of DOE field offices' oversight activities, (2) a strengthened DOE surveillance program of contractors, (3) a centralized personal property tracking system to catalog the findings from each review and track corrective actions, and (4) the requirement for a "root cause" analysis to be performed for each deficiency found during a property review. According to DOE officials, the increased emphasis the Department has placed on property management and the need for its contractors to establish reliable property data bases may have contributed to the significant amount of lost or missing property shown by this fact sheet.

We recognize that DOE is taking action to improve contractors' property management activities. However, we also believe that much needs to be done, as evidenced by the over 400 recommendations made from DOE's reviews of contractors. Furthermore, in our recent report on Rocky Flats' property management, we pointed out that serious problems with the plant's property tracking data base and management system continue to exist.

Scope and Methodology

We conducted this review during the period January through March 1994. To develop this fact sheet, we obtained property inventory reports for the 20 major contractors involved in defense-related activities from the DOE field offices having responsibility for those contractors. We did not independently verify the missing property amounts shown in those reports. However, we did compare some of the data with data in other DOE sources of information, including property amounts shown on DOE's Financial Information System. We also examined DOE property management regulations and DOE headquarters' reviews of DOE field offices' property management activities. We obtained data on the status of and the latest DOE review of each contractor's property management system from DOE's Office of Contractor Management and Administration. We verified the accuracy of these data with selected DOE field offices. Furthermore, we reviewed DOE Office of Inspector General reports issued on contractors' property management activities.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this fact sheet until 30 days from the date of this letter. At that time, we will send copies of this fact sheet to the Secretary of Energy, appropriate congressional committees, and other interested parties.

If you have any additional questions or if we can be of further assistance, please contact me at (202) 512-3841. Major contributors to this fact sheet are listed in appendix I.

Sincerely yours,

Michael Szytkiewicz

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Contents

Letter	1	
Section 1 Missing Property Amounts Shown in the Most Recent Property Inventory Reports	8	
Section 2 Extent to Which DOE Has Approved the Contractors' Property Management Systems (as of January 31, 1994)	12	
Section 3 Results of DOE Reviews of Contractors' Property Management Systems	14	
Appendix	Appendix I: Major Contributors to This Fact Sheet	18

Abbreviations

DOE	Department of Energy
GAO	General Accounting Office

Missing Property Amounts Shown in the Most Recent Property Inventory Reports

DOE office/plant (contractor)	Date of most recent inventory	Amount of missing property (acquisition cost)
Albuquerque		
Kansas City Plant (Allied Signal)		
Sensitive	1993	\$ 446
Capital	1991	714,632
Subtotal		715,078
Los Alamos National Laboratory (University of California)		
Sensitive	1993	1,076,085
Capital	1993	7,951,459
Noncapital	1993	3,406,953
Subtotal		12,434,497^a
Mound Facility (EG&G Mound Applied Technologies)		
Sensitive	1993	836
Capital	1993	155,118
Subtotal		155,954
Pantex Plant (Mason & Hanger-Silas Mason Company)		
Sensitive	1992	14,980
Capital	1991	18,713
Noncapital	1991	13,028
Subtotal		46,721
Pinellas Plant (Martin Marietta Specialty Components)		
Sensitive	1993	150
Capital	1993	40,434
Noncapital	1991	587,175
Subtotal		627,759
Sandia National Laboratories (Martin Marietta Corporation)		
Sensitive	1992	1,085,989
Capital	1992	3,926,364
Noncapital	1990	613,301
Subtotal		5,625,654
Idaho		
Idaho Chemical Processing Plant (Westinghouse Idaho Nuclear Company)		

(continued)

Section 1
Missing Property Amounts Shown in the
Most Recent Property Inventory Reports

DOE office/plant (contractor)	Date of most recent inventory	Amount of missing property (acquisition cost)
Sensitive	1993	3,373
Capital	1992	52,380
Subtotal		55,753
Idaho National Engineering Laboratory (EG&G Idaho, Inc.)		
Sensitive	1993	767,495 ^b
Capital	1993	408,682
Subtotal		1,176,177
Nevada		
Timing, Firing, and Scientific Support (EG&G Energy Measurements, Inc.)		
Sensitive	1993	29,069 ^b
Capital	1993	133,581
Noncapital	1993	51,544
Subtotal		214,194
Weapons Test Support Services (Reynolds Electrical and Engineering Co., Inc.)		
Sensitive	1993	(included below)
Noncapital	1993	6,143,906
Capital	1993	11,986,002
Subtotal		18,129,908^c
Oak Ridge		
Construction Services (M-K Ferguson Company)		
Sensitive	1993	45,480
Capital	1993	180,676
Subtotal		226,156
Fernald (FERMCO)		
Sensitive	1993	432,787
Capital	1993	1,949,195
Noncapital	1993	14,828
Subtotal		2,396,810
K-25 Plant (Martin Marietta Energy Systems, Inc.)		
Sensitive	1993	74,194
Capital	1993	2,840
Subtotal		77,034

(continued)

Section 1
Missing Property Amounts Shown in the
Most Recent Property Inventory Reports

DOE office/plant (contractor)	Date of most recent inventory	Amount of missing property (acquisition cost)
Y-12 Plant (Martin Marietta Energy Systems, Inc.)		
Sensitive	1993	306,258
Capital	1993	283,226
Subtotal		589,484
Richland		
Hanford Site (Westinghouse Hanford Company)		
Sensitive	1993	19,296
Capital	1993	131,397
Noncapital	1993	0
Subtotal		150,693
Pacific Northwest Laboratories (Battelle Memorial Institute)		
Sensitive	1993	77,072
Capital	1993	198,999
Subtotal		276,071
Rocky Flats		
Rocky Flats Plant (EG&G - Rocky Flats, Inc.)		
Sensitive	1993	3,125,749
Capital	1993	5,283,654
Noncapital	1993	4,384,844
Subtotal		12,794,247^d
San Francisco		
Lawrence Berkeley Laboratory (University of California)		
Sensitive	1992	(included below)
Capital	1992	1,690,875
Subtotal		1,690,875
Lawrence Livermore National Laboratory (University of California)		
Sensitive	1992	182,961
Capital	1992	5,433,482
Subtotal		5,616,443
Savannah River		
Savannah River Laboratory and Plant (Westinghouse Savannah River Company)		
Sensitive	1992	(included below)

(continued)

Section 1
Missing Property Amounts Shown in the
Most Recent Property Inventory Reports

DOE office/plant (contractor)	Date of most recent inventory	Amount of missing property (acquisition cost)
Noncapital	1992	6,452,864
Capital	1992	7,516,356
Subtotal		13,969,220^a
Total		\$74,218,770

Note: Department of Energy (DOE) property is placed in basically three categories. Sensitive property means those items of property that are susceptible to being appropriated for personal use or that can be readily converted to cash. Examples are firearms, photographic equipment, binoculars, tape recorders, calculators, and power tools. DOE regulations require that a sensitive-item inventory be conducted annually. Capital property means property items that have a unit acquisition cost of \$5,000 or more and an anticipated service life in excess of 2 years and have the potential for maintaining their integrity as capital items, i.e., not expendable due to use. Examples are lathes and vehicles. DOE regulations require that a capital-item inventory be conducted every 2 years. Noncapital property means those items of property with an acquisition cost of less than \$5,000 that do not meet the definition of sensitive property. DOE regulations do not require that a noncapital inventory be conducted although some DOE contractors have conducted them anyway.

^aThe Inspector General's December 1993 report determined that Los Alamos may not be able to account for \$100 million in property.

^bThe contractor conducted only a partial inventory of property for that fiscal year.

^cThe missing property amounts also include amounts for property that was excessed, buried, or cannibalized.

^dOur March 1994 report determined that the contractor could also not physically locate another \$16.5 million in property and may have to classify some of this property as missing.

^eAs we were processing this fact sheet, DOE Savannah River officials told us that they recently conducted a partial review of the plant's 1992 inventory and believe that, based on this review, the plant's missing property total included some property that was excessed, buried, or cannibalized.

Extent to Which DOE Has Approved the Contractors' Property Management Systems (as of January 31, 1994)

DOE office/plant (contractor)	DOE system approval status
Albuquerque	
Kansas City Plant (Allied Signal)	Conditionally approved ^a
Los Alamos National Laboratory (University of California)	Disapproved
Mound Facility (EG&G Mound Applied Technologies)	Unapproved ^b
Pantex Plant (Mason & Hanger-Silas Mason Company)	Unapproved ^b
Pinellas Plant (Martin Marietta Specialty Components)	Unapproved ^b
Sandia National Laboratories (Martin Marietta Corporation)	Unapproved ^c
Idaho	
Idaho Chemical Processing Plant (Westinghouse Idaho Nuclear Company)	Approved
Idaho National Engineering Laboratory (EG&G Idaho, Inc.)	Approved
Nevada	
Timing, Firing, and Scientific Support (EG&G Energy Measurements, Inc.)	Conditionally approved ^a
Weapons Test Support Services (Reynolds Electrical and Engineering Co., Inc.)	Conditionally approved ^a
Oak Ridge	
Construction Services (M-K Ferguson Company)	Conditionally approved ^a
Fernald (FERMCO)	Approved
K-25 Plant (Martin Marietta Energy Systems, Inc.)	Approved
Y-12 Plant (Martin Marietta Energy Systems, Inc.)	Conditionally approved ^a
Richland	

(continued)

Section 2
Extent to Which DOE Has Approved the
Contractors' Property Management Systems
(as of January 31, 1994)

DOE office/plant (contractor)	DOE system approval status
Hanford Site (Westinghouse Hanford Company)	Approved
Pacific Northwest Laboratories (Battelle Memorial Institute)	Conditionally approved ^a
Rocky Flats	
Rocky Flats Plant (EG&G-Rocky Flats, Inc.)	Unapproved ^d
San Francisco	
Lawrence Berkeley Laboratory (University of California)	Approved
Lawrence Livermore National Laboratory (University of California)	Approved
Savannah River	
Savannah River Laboratory and Plant (Westinghouse Savannah River Company)	Conditionally approved ^a

^aConditionally approved—The contractor's property management system has been reviewed by DOE and determined to have deficiencies that must be corrected within an established time frame.

^bA DOE review has been completed, but a DOE system approval/disapproval determination is overdue.

^cA DOE system approval/disapproval determination is not yet overdue. The contractor (Martin Marietta) is within the first year of the start of the contract. DOE regulations require DOE to review and approve or disapprove the contractor's property management system within the first year of the contract and every 3 years thereafter. Prior to Martin Marietta, AT&T was the contractor at the Sandia National Laboratories, and, as of September 1993, AT&T had an unapproved property management system.

^dA DOE review has not been done, and a DOE system approval/disapproval determination is overdue.

Results of DOE Reviews of Contractors' Property Management Systems

DOE office/plant (contractor)	Date of DOE's last review—number of recommendations made	Examples of weaknesses identified in review report
Albuquerque		
Kansas City Plant (Allied Signal)	2/91—31 ^a	A tremendous backlog of property has been received but had not been tagged. Using a check off list to perform physical inventories, rather than bar code scanners, was determined to be unacceptable.
Los Alamos National Laboratory (University of California)	5/93—10	The significant losses of sensitive items appears to indicate a lack of adequate physical protection or responsible oversight. The office responsible for performing physical inventories was not providing other affected organizations with the results of inventory findings to enable them to perform trend analyses and/or initiate corrective actions.
Mound (EG&G Mound Applied Technologies)	1/92—9 ^a	During inventory verification, DOE noted that many property items were not tag-identified. The system for tracking property on loan to others did not properly reflect the actual location of the property.
Pantex (Mason & Hanger-Silas Mason Company)	9/92—17 ^a	Numerous items of equipment were untagged during physical inventory. Several items of property have more than one property control tag.
Pinellas (Martin Marietta Specialty Components)	7/92—18	Numerous property management procedures needed updating. A formal internal training program has not been established for the property management staff.
Sandia National Laboratories (AT&T when the review was done)	3/91—5 ^a	According to DOE, it is currently impossible to determine with any accuracy how many property items are on loan. It could not be determined for completed subcontracts if the subcontractors still had residual DOE property that had not been returned or officially disposed of.
Idaho		
Idaho Chemical Processing Plant (Westinghouse Idaho Nuclear Company)	4/92—9	The contractor is not including DOE in the distribution of its reports on lost, damaged, or destroyed property. The plant's policy and procedure that provide guidance for physical inventories do not require that inventories be conducted or tested by independent parties.
Idaho National Engineering Laboratory (EG&G Idaho, Inc.)	4/92—15	Subcontract administrators are not requiring that subcontractors submit annual reports of government property in their possession. The contractor's property management manual does not include requirements for tagging sensitive property.
Nevada		
Timing, Firing, and Scientific Support (EG&G Energy Measurements, Inc.)	2/93—10	Physical inventory reports for outlying locations indicate that items were not being inventoried according to the schedule set forth in DOE regulations. Property management personnel were receiving little or no relevant training in personal property management other than internally conducted property management workshops.
Weapons Test Support Services (Reynolds Electrical and Engineering Co., Inc.)	10/92—28	DOE has not been provided with a schedule for the implementation of a viable bar code property control system. A review of the training records for selected property management personnel showed that none of the individuals had ever attended formal, documented, inventory management training.

(continued)

**Section 3
Results of DOE Reviews of Contractors'
Property Management Systems**

DOE office/plant (contractor)	Date of DOE's last review—number of recommendations made	Examples of weaknesses identified in review report
Oak Ridge		
Construction Services (M-K Ferguson Company)	2/92—9	A majority of accountable property items received within the last year are not in the inventory data base. Three of 20 sensitive items randomly selected to verify location were missing, which represents a potential loss ratio of 15 percent.
Fernald (Westinghouse when the review was done)	7/90—8 ^a	The contractor has not provided copies of inventory write-offs, i.e., lost, damaged, or destroyed property, to DOE on a regular basis. A spot inspection of sensitive property, such as hand tools, noted that the tools had no government identification.
K-25 (Martin Marietta Energy Systems, Inc.)	3/93—9 ^a	Eight of 20 sensitive items randomly selected to verify location could not be found, which represents a potential loss ratio of 40 percent. Items such as copy paper, fluorescent light bulbs, truck mufflers, etc., are being scheduled for surplus sale while the contractor was buying new, similar items from vendors.
Y-12 (Martin Marietta Energy Systems, Inc.)	8/93—21 ^a	Heavy equipment, office furnishings, materials, and machines not designed for outside use are being left outside unprotected. Property management personnel are receiving little or no relevant training in property management.
Richland		
Hanford Site (Westinghouse Hanford Company)	2/91—49	There are significant errors in the property inventory reports to DOE and a significant overstatement of the value and volume of personal property in the possession of the contractor. Over 40 percent of all capital- and sensitive-tagged property has not been inventoried within the time frames required by DOE regulations.
Pacific Northwest Laboratories (Battelle Memorial Institute)	12/92—16	An inventory of special equipment, such as office equipment, photographic equipment, radio equipment, and automotive equipment, has not been conducted since FY 1989. A review of a sample of capital item records revealed that there are errors in certain data fields indicating that some organizations are still not reporting or updating changes in key data elements.
Rocky Flats		
Rocky Flats Plant (Rockwell International when the review was done)	4/89—30 ^a	The contractor has an antiquated property control system that is approximately 30 years old. It lacks sufficient data and capability to provide for an effective property management program. Plant policies and procedures do not address the individual responsibility of employees to ensure the proper control, use, and protection of government property, including the prompt reporting of lost or stolen property.
San Francisco		
Lawrence Berkeley Laboratory (University of California)	5/93—20	In most cases, it did not appear that subcontractors were being monitored to ensure that government property was being properly controlled. Property management policies and procedures needed improvements to ensure compliance with the contract terms and DOE property management regulations.
Lawrence Livermore National Laboratory (University of California)	8/92—34 ^a	Property items were in storage for more than 3 years without adequate justification or correct level of approval authority. Items that are not tagged are not being investigated.

(continued)

**Section 3
Results of DOE Reviews of Contractors'
Property Management Systems**

DOE office/plant (contractor)	Date of DOE's last review—number of recommendations made	Examples of weaknesses identified in review report
Savannah River		
Savannah River Laboratory and Plant (Westinghouse Savannah River Company)	9/93—73 ^a	Of the property items sampled for inventory, 34 percent either were physically unlocated or lacking disposition documentation. Reports of lost, damaged, or destroyed property are not being submitted to DOE in all instances.

^aThe last DOE review listed in this section was not completed on schedule.

Major Contributors to This Fact Sheet

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