

# **CONTROLS OVER ACCOUNTABLE PROPERTY AT THE BALTIMORE FIELD DIVISION OF THE FEDERAL BUREAU OF INVESTIGATION**

## **EXECUTIVE SUMMARY**

On July 7, 2003, Robert E. Stull, a former employee of the Federal Bureau of Investigation (FBI) at the Baltimore Field Division (BFD) was sentenced to one year in prison and ordered to pay restitution after pleading guilty to the theft and sale of FBI photography equipment, valued at over \$167,000. In response to these events, the Office of the Inspector General initiated this audit to assess the overall effectiveness of the BFD's property controls from procurement through disposal.

The BFD is one of 56 FBI field divisions and is located in Baltimore, Maryland. The BFD's area of coverage extends across Maryland and Delaware, and it maintains subsidiary offices, called resident agencies, in smaller cities throughout both states. For fiscal year (FY) 2004, the BFD has a total budget of about \$3.3 million and currently employs about 400 people. As of January 3, 2004, the BFD's official property inventory contained 5,620 items with a total estimated acquisition cost of \$22.8 million.

### **Property Management at the Baltimore Field Division**

The BFD's central control over property is the FBI's Property Management Application, an automated property management system that allows the FBI to track the location and history of specific property items. The FBI has instituted a property threshold of \$1,000 for the Property Management Application, meaning that property with an acquisition cost of less than \$1,000 is generally not included in the system. However, certain items of property are to be included in the Property Management Application regardless of their cost.

At the BFD, four supply technicians are responsible for the identification and addition of new accountable property to the Property Management Application, and nine property custodians are responsible for maintaining certain categories of personal property. These property custodians maintain control over: 1) automobiles, 2) computer equipment, 3) ET<sup>1</sup>, 4) firearms, 5) laboratory equipment, 6) office equipment and fixtures, 7) photography equipment, 8) technical equipment, and word

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<sup>1</sup> The BFD uses the acronym ET to represent the term "electronics technician." The property area ET includes telecommunication and FM radio equipment.

processing equipment. The property responsibilities of the property custodians are collateral to their official duties; for example, the property custodian for firearms is the firearm instructor at the BFD.

## **Audit Results**

We reviewed the BFD's compliance with the regulations, policies, and procedures that are relevant to property management and examined the effectiveness of controls to account for and safeguard accountable property. We found that while overall controls appear adequate to account for and safeguard property, we found weaknesses in the following areas:

- The FBI's definition of accountable property omits certain property from inclusion in the Property Management Application.
- Property excluded from the Property Management Application is less likely to be located, even if it is tracked separately by a property custodian.
- Credit card purchases can be delivered directly to the cardholder, bypassing the supply technician who would identify and record accountable property in the Property Management Application.
- The BFD does not have adequate controls over the approval of credit card purchases.

Following is a summary of the results of our audit.

### **FBI Definition of Accountable Property is Inadequate**

The Justice Property Management Regulations require bureaus to establish personal property accountability systems and define *controlled personal property* as non-capitalized personal property that because of its nature must be subject to controls that are more stringent. According to the Justice Property Management Regulations, this definition includes items that because of their inherent attractiveness and/or portability, are subject to a high probability of theft or misuse and those items that contain sensitive information or are sensitive in nature.

The FBI defines accountable property as property that because of its value or nature must be accounted for on an individual basis in the Property Management Application. The FBI currently requires that accountable property having an acquisition cost of \$1,000 or more, and all firearms, laptop computers, jewelry, central processing units, and secure

communications equipment be recorded in the Property Management Application. Although there is no requirement to enter non-expendable property valued at less than \$1,000 into the Property Management Application, at their discretion FBI division heads may establish policy for tracking property valued at less than this threshold.

We found that the FBI's current policy on accountable property is inadequate because it excludes property from the Property Management Application that would constitute controlled personal property under the Justice Property Management Regulations. For example, the FBI does not currently mandate that items such as cameras, televisions, and videocassette recorders be tracked in the Property Management Application even though they fall under the definition of controlled personal property in the Justice Property Management Regulations. While we found that four of the nine property custodians at the BFD are maintaining their own tracking systems for items such as digital cameras and tape recorders, these systems do not contain the required elements of a property management system and the property custodians do not perform physical inventories.

To address these deficiencies, we recommend that the FBI amend its definition of accountable property to mandate the tracking of certain property items in the Property Management Application that cost less than \$1,000, for which tracking is currently discretionary.

## **Procurement and Receipt of Property**

We tested 30 procurement actions from FY 2003, representing 55 property items, to determine if the BFD had properly recorded accountable property in the Property Management Application. We found no discrepancies. However, while reviewing credit card purchases we found that individual credit card bills were approved for payment without adequate supporting documentation for the charges. We recommend that the BFD ensure that requisition forms are completed and approved before each credit card purchase and that they be adequately supported as to the amount and necessity of the purchase.

We also determined that items that should be included in the Property Management Application might not have been added due to inadequate segregation of duties between the ordering and receipt of property at the BFD. Inadequate segregation of duties between the ordering and receipt of property was a contributing factor as to why Stull's property thefts at the BFD went undetected for three years. Although supply technicians are responsible for adding property to the Property Management Application when it is received at the BFD, Stull was able to order and directly receive

property without proper oversight. The BFD has modified its procedures with regard to photography equipment to strengthen controls, but has not done so in other property areas. We recommend that the appropriate supply technician first receive all new property.

### Location Testing and Completeness of Property Records

In order to test whether the BFD could locate certain property items and produce them for inspection, we requested a universe of the property designated to the BFD in the Property Management Application. The data provided by FBI Headquarters from the Property Management Application contained 5,620 records of property located at the BFD. The databases maintained by the property custodians of the under \$1,000 property in their control included a combined 6,071 property items that were not included in the Property Management Application.

We selected statistical samples from each of the universes and requested that the BFD present these items to us for verification. As summarized in the following table, our results indicate that the BFD is more likely to find property listed in the Property Management Application than property tracked by the property custodians. Items listed as “\$1,000 and Over” were in the FBI’s Property Management Application. Items listed as “Under 1,000” were not included in the Property Management Application.

**BFD Property Universes and Results of OIG Testing**

Property Area	Number of Items	Sample Size	Located	Not Located	Could Not Determine
<b>Total of \$1,000 and Over Property</b>	<b>5,620</b>	<b>221</b>	<b>219</b>	<b>0</b>	<b>2</b>
<b>Percentages of \$1,000 and Over Testing</b>			<b>99%</b>	<b>0%</b>	<b>1%</b>
<b>Total of Under \$1,000 Property</b>	<b>6,071</b>	<b>354</b>	<b>294</b>	<b>45</b>	<b>15</b>
<b>Percentages of Under \$1,000 Testing</b>			<b>83%</b>	<b>13%</b>	<b>4%</b>
<b>Total Number of Property Items</b>	<b>11,691</b>	<b>575</b>	<b>513</b>	<b>45</b>	<b>17</b>

Source: BFD property universes and Office of the Inspector General testing results

Projecting our results to the Property Management Application population of 5,620 items, at least 17 of these property items (0.3 percent) would be unverifiable – that is, in the “could not determine” category.<sup>2</sup> Similarly, projecting to the population of 6,071 “under \$1,000” items tracked by property custodians, the BFD would not be able to locate at least 570 of

<sup>2</sup> Our statistical projections are at the 95 percent confidence level.

these property items (9.4 percent) and at least 133 of these property items (2.2 percent) would be unverifiable. In our judgment, by including additional items in the Property Management Application, the BFD could improve its ability to locate and control property. Our recommendation to the FBI is that it amend its definition of accountable property to require that additional items be tracked in the Property Management Application.

As an additional test of how complete the BFD's property databases were, we physically selected 55 property items during walk-throughs of the BFD and attempted to trace the items to the appropriate database system. Forty-eight of the 55 items were valued at \$1,000 or more. Each of these items was in the Property Management Application as required. With regard to the remaining 7 items, which had reported costs of under \$1,000, two items were in the separate inventory databases maintained by the property custodians, but the other five were not.

### **Frequency and Results of Physical Inventories**

The Justice Property Management Regulations require the FBI conduct a complete physical inventory of all capitalized property<sup>3</sup> at least once per year and a complete physical inventory of all controlled personal property at least biennially. The FBI's Accountable Property Manual provides a description of the FBI's inventory process that is in compliance with the Justice Property Management Regulations. Since FY 2001, the BFD has adhered to the requirements of the FBI and the Justice Property Management Regulations for biennial and annual inventories and conducted its most recent biennial inventory in FY 2003. In addition, because of the photography equipment thefts, the BFD conducted a special inventory in that property area in January 2003 and, as a result, developed a complete list of all accountable and non-accountable property in the photography equipment property area. The BFD provided copies of *Report of Lost/Stolen Property* (FD-500) forms that corresponded to the 22 property items still listed in the Property Management Application as lost, missing, or stolen since the 2003 biennial inventory, and it appeared that the BFD conducted adequate searches for and reviews of circumstances for these missing items.

### **Disposal Testing**

We tested the BFD's disposal of property for proper documentation and timeliness. The FBI's Accountable Property Manual includes a requirement that once FBI Headquarters approves the disposal of an item of property, the

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<sup>3</sup> Capitalized property includes non-real property with an acquisition cost of \$25,000 or more; sensitive property includes such items as laptop computers and weapons.

field office has 30 days to dispose of it. The BFD disposed of or identified as excess 474 items since January 1, 2003. In order to determine whether the BFD received the appropriate authorization to dispose of these items and whether the items were disposed of in the provided amount of time, we reviewed documentation for a judgmental sample of 47 items (10 percent). We found minor exceptions in several areas but only one item that had not yet been disposed of.

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## INTRODUCTION

On July 7, 2003, Robert E. Stull, a former employee of the Federal Bureau of Investigation (FBI) at the Baltimore Field Division (BFD) was sentenced to one year in prison and ordered to pay restitution after pleading guilty to theft of government property.<sup>4</sup> As a result of a joint investigation conducted by the Office of the Inspector General, the BFD, and the Maryland United States Attorney's Office, Stull admitted to stealing photography equipment, valued at over \$167,000, from the FBI between February 1999 and November 2002, and to selling the items on the online auction house eBay. In his confession, Stull acknowledged stealing and then selling items such as cameras, flash units, lenses, and film. In response to these events, the Office of the Inspector General initiated an audit to assess the overall effectiveness of the BFD's property controls from procurement through disposal.

The BFD is one of 56 FBI field divisions and is located in Baltimore, Maryland. The BFD's area of coverage extends across Maryland and Delaware. It maintains subsidiary offices, called resident agencies, in smaller cities throughout both states. Among its law enforcement priorities, the BFD cites counterterrorism, counterintelligence, and cyber crime. As with most field divisions, the BFD is overseen by a Special Agent in Charge. For fiscal year (FY) 2004, the BFD has a total budget of about \$3.3 million and currently employs approximately 400 people. As of January 3, 2004, the BFD's official property inventory contained 5,620 items, with a total estimated acquisition cost of \$22,835,160.

### Background

Stull began his career at the BFD in November 1990 as a Grade 4 Clerk. In January 1993, he became the BFD's Relief Photographer and in April 1994, he was promoted to Photographer. At the time of his arrest, Stull was the BFD's primary photographer. He had reached the Grade 8, Step 5 level, and he was responsible for taking pictures and processing film. Furthermore, as property custodian for photography equipment, Stull was responsible for requisitioning and maintaining the BFD's photography equipment and supplies.

In October 2002, another BFD employee reported to BFD management that Stull was selling items with the FBI logo on eBay, and the other BFD employee provided management with the name of the eBay account.

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<sup>4</sup> Stull was sentenced under 18 USC § 641.



Among the items listed for sale were: a BFD patch, an FBI September 11th patch, and Kodak and Polaroid film. Based on this discovery, an investigation was initiated and a grand jury subpoena was issued for eBay's records. The eBay records revealed that since 1999, Stull had opened at least four accounts on eBay through which the majority of items sold had been photography equipment and supplies, including cameras, lenses, flash units, light meters, video recorders, film, photographic paper, and ink cartridges. In addition, the eBay records reported the time periods the accounts were open and the level of sales Stull reached for each account, as follows:

<b>Account Name</b>	<b>Time Period Open</b>	<b>Sales</b>
Residu	February 27, 1999 - July 6, 1999	\$ 10,211.41
ambo209	April 30, 2000 - October 24, 2000	12,950.00
Roberika	May 15, 2001 - August 8, 2001	29,203.00
freefallo1	October 8, 2001 – November 2, 2001	30,947.00
<b>Total</b>		<b>\$ 83,311.41</b>

Source: Office of the Inspector General

A comparison was performed of the items sold on eBay to the *FBI Requisition for Supplies and/or Equipment* (FD-369) forms prepared by Stull. From this analysis, a pattern was recognized as present since 1999 where the items he requested through FD-369 forms were sold on eBay within approximately two months. For example, in May 2001 Stull requested 36 Nikon flash units from FBI Headquarters. In June 2001, he sold one "Nikon SB-28 flash (NEW IN THE BOX)," and 16 more by August 2001. Several purchasers of the various items sold on eBay were contacted by the investigators. Some of those purchasers still possessed the items and were able to provide information, such as serial numbers, which identified the items as FBI property.

Based on these findings, Stull was arrested for theft of government property on December 13, 2002. When presented with the evidence, Stull acknowledged establishing each of the eBay accounts and admitted that he had stolen all of the photography equipment and supplies sold on the accounts from the BFD. To explain his crimes, Stull stated that he had been experiencing financial problems for the previous three years, and began selling items on eBay in 1999 to offset his debts. He noted that the first items he sold on eBay were his own personal items, but as his debts increased he began stealing items from the BFD to sell as well. Stull stated that the Financial Manager did question him about the amount of money he was spending, particularly on film, and that the Administrative Officer questioned him when many photography items could not be located during

the 2001 inventory. Stull stated that he responded to the Financial Manager's questions by telling her that the agents were using all of the film and the Administrative Officer stopped questioning him when the inventory period was over. Stull also stated that, for him, stealing from the federal government was "easy" due to the "lack of checks and balances" in the property control process.

As part of the case, the investigators prepared a list of the items stolen by Stull. This list contained a total of 168 entries, although some entries represented more than one item. We analyzed the list to determine the types of property stolen by Stull and found that the largest percentages of items were cameras, camera flashes, and photographic accessories. The complete results follow:

### Items Stolen by Stull by Type

Description	Number Stolen	Percent
Cameras or Camera Kits	49	29.17
Camera Lenses	13	7.74
Camera Flashes	25	14.88
Light Meters	14	8.33
Photo Enlargers	1	0.60
Film	4	2.38
Printer Cartridges	1	0.60
Film Holders	17	10.12
Photographic Accessories	33	19.64
Still Video Players	3	1.79
Cassette Recorders	2	1.19
Videocassette Recorders	3	1.79
Ballistic Vests	3	1.79
<b>Total Number of Entries</b>	<b>168</b>	<b>100.00</b>

Source: FBI

Stull pled guilty to theft of government property on July 7, 2003. He was sentenced to one year and one day in prison, and three years probation, and was ordered to pay \$70,000 in restitution.

### **Baltimore Field Division Property Management Procedures**

The Justice Property Management Regulations and the FBI's Accountable Property Manual are the bases for many of the property

procedures at the BFD.<sup>5</sup> The Accountable Property Manual defines accountable property as “[p]roperty which, because of its value or nature, must be accounted for on an individual basis [in] the [Property Management Application]”. The Property Management Application is an automated property system that allows the FBI to track the location and history of specific items.<sup>6</sup> The system has features that allow tracking of distributed or assigned property, and FBI policy requires that laptop computers and firearms be charged out to specific individuals. Some of the property custodians use property passes for additional categories of property as they see fit. When the Property Management Application was launched in 1992, the FBI instituted a threshold of \$50, meaning that property with an acquisition cost of \$50 or more was to be included in the Property Management Application. Today, this threshold stands at \$1,000; however, certain items of property are to be included in the Property Management Application regardless of their cost. Specifically, according to FBI policy, all firearms, jewelry, laptops, central processing units, and secured communication equipment should be included in the system.<sup>7</sup>

At the BFD, four supply technicians handle the addition of property records to the Property Management Application. Their responsibilities include creating and maintaining inventory records, providing for the care and security of property, and identifying property as excess.

In addition, the BFD has designated nine property custodians as responsible for certain categories of personal property. Their responsibilities include securing physical custody of the property, providing information about the property to the supply technicians, and maintaining property documentation. The property responsibilities of the property custodians are collateral to their official duties; for example, the property custodian for firearms is the firearm instructor at the BFD. The roles of other BFD

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<sup>5</sup> The Justice Property Management Regulations, dated August 6, 1998, implement or supplement the Federal Property Management Regulations System, 41 CFR Chapter 101.

<sup>6</sup> Section 128-1.5302 of the Justice Property Management Regulations states, in part, that, “[b]ureaus shall establish personal property accountability systems that contain, at minimum, the following elements: item description, manufacturer's serial number, bureau-assigned property number or barcode number, acquisition date, acquisition cost, location, and national stock number or locally-assigned stock number.” Based on the Property Management Application records provided, we determined that the Property Management Application includes these required elements and thus meets with this Justice Property Management Regulations requirement.

<sup>7</sup> Throughout this report, we refer to property not listed in the Property Management Application as “under \$1,000” property.

employees in the property management process are described in Appendix II. The property custodians maintain control over the following nine property areas: 1) automobiles, 2) computer equipment, 3) ET (telecommunication and FM radio equipment)<sup>8</sup>, 4) firearms, 5) laboratory equipment, 6) office equipment and fixtures, 7) photography equipment, 8) technical equipment, and 9) word processing equipment. The FBI gave division heads the option of establishing policy to track property valued at less than \$1,000. While we did not find that the BFD had established such a policy, we did find that four of the nine property custodians were tracking property under their control valued at less than \$1,000.

## **Audit Approach**

To determine the effectiveness of the BFD's controls over accountable property, we reviewed the FBI and BFD policies and procedures for compliance with the Justice Property Management Regulations and for adequate segregation of duties.<sup>9</sup> We also conducted testing at the BFD in the following areas to determine if procedures had been implemented:

- Procurement;
- Location testing and completeness of property records;
- Frequency and results of physical inventories; and
- Disposal.

At the time of our audit, the BFD planned to relocate to a different facility. Therefore, we observed but did not test physical security controls. In addition, we determined that FBI Headquarters, not the BFD, is responsible for ensuring that the disposals of property comply with federal regulations, and accordingly we limited our testing in this area to the BFD's responsibilities.

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<sup>8</sup> The BFD uses the acronym ET to represent the term "electronics technician." The property area ET includes telecommunication and FM radio equipment.

<sup>9</sup> See Appendix III for a more detailed description of the BFD's property procedures.

## **FINDING AND RECOMMENDATIONS**

### **PROPERTY CONTROLS COULD BE IMPROVED**

While controls over property tracked in the Property Management Application by the BFD appear adequate, we found certain conditions that leave property excluded from the system more susceptible to loss. We concluded that the FBI should expand its definition of accountable property to include additional items that meet the Justice Property Management Regulations' definition of controlled personal property and should track these items in the Property Management Application. Our testing revealed that property currently excluded from the Property Management Application has a decreased chance of being located, even when tracked separately by a property custodian. Specifically, the BFD located about 99 percent of the items in our Property Management Application sample, but only 83 percent of our under \$1,000 sample. Furthermore, the BFD needs to ensure that items purchased with credit cards are delivered to the appropriate supply technician and not to the purchaser to ensure that items that meet the definition of accountable property are barcoded and recorded in the Property Management Application. As part of our review, we identified 22 items that were not included in the Property Management Application but should have been based on the FBI's \$1,000 threshold policy. In addition, credit card holders should provide documentation to the Administrative Officer that adequately supports each of their purchases before the Administrative Officer approves the bill for payment.

### **FBI Definition of Accountable Property is Inadequate**

The FBI's Accountable Property Manual defines accountable property as "Property which, because of its value or nature, must be accounted for on an individual basis [in] the [Property Management Application]." Since February 2002, FBI policy has identified the property that must be accounted for in the Property Management Application as property with an acquisition cost of \$1,000 or greater. However, in our judgment, the FBI needs to amend its definition of accountable property to mandate the tracking of certain property items that cost less than \$1,000, for which tracking is currently discretionary. In its February 14, 2002, memorandum that increased the property threshold for accountable property from \$500 to \$1,000 (see Appendix VII), the Property Procurement and Management Section of the FBI stated:

*Although there is no requirement to enter into [the Property Management Application] non-expendable property valued at less than \$1000, at their discretion division heads may establish policy for tracking property valued at less than this threshold. If a division head desires to track property valued at less than the threshold, such as [videocassette recorders], cameras, televisions, etc., different colored barcode labels should be used for identification purposes. The use of a barcode label different in color from that used for the tracking of accountable property will enable division personnel to discriminate between items which must as a matter of policy be inventoried bi-annually [(sic)], and those subject to discretionary inventory.*

During our audit, we found that the BFD adheres to the \$1,000 threshold policy, and has chosen not to track under \$1,000 property with the suggested different colored barcodes.<sup>10</sup> Four of the nine BFD property custodians have developed separate databases outside of the Property Management Application to track under \$1,000 property. However, these systems do not contain all of the elements required of a property accountability system and none of the property custodians conduct physical inventories of these items as required by the Justice Property Management Regulations.<sup>11</sup>

In our judgment, the FBI definition of accountable property excludes items that the Justice Property Management Regulations indicate should be accounted for as controlled personal property. Specifically, the Justice Property Management Regulations require bureaus to “establish personal property accountability systems . . . .,”<sup>12</sup> and defines *controlled personal property* as:

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<sup>10</sup> The barcodes verified on under \$1,000 items during our inventory testing were Property Management Application barcodes that remained on items that had once been included in the Property Management Application under previous thresholds.

<sup>11</sup> The Justice Property Management Regulations require that personal property accountability systems contain, at a minimum, item description, manufacturer's serial number, bureau-assigned property number or barcode number, acquisition date, acquisition cost, location, and national stock number or locally-assigned stock number. As previously stated, the Justice Property Management Regulations require biennial physical inventory of controlled personal property.

<sup>12</sup> 41 CFR (JPMR) § 128-1.5302.

*[N]oncapitalized personal property that because of its nature must be subject to more stringent controls. Controlled personal property may or may not be recorded in a formal personal property accounting system. Controlled personal property includes, without limitation, property that: (1) [i]s leased by, in the custody of, or lent to or from [the Department of Justice]; (2) [d]ue to inherent attractiveness and/or portability, is subject to a high probability of theft or misuse; (3) [i]s warranted and requires knowledge of age and/or previous repair data when determining whether repair or replacement is appropriate; or (4) [c]ontains sensitive information or is sensitive in nature. Examples of sensitive property include weapons, hazardous products, surveillance and communication equipment, and property used for processing or storing classified information.<sup>13</sup>*

We believe that photography equipment, such as cameras, technical equipment, such as televisions and videocassette recorders, and some computer peripheral equipment, to name a few, fall under the Justice Property Management Regulations definition of controlled personal property and are thus required to be included in a personal property accountability system regardless of cost and physically inventoried biennially.

We reviewed the FBI's reason for raising the Property Management Application threshold from \$500 to \$1,000. In the February 14, 2002, memorandum instituting the threshold change, the FBI stated that this change was consistent with current Department of Justice policy and by implementing it, the FBI would exempt nearly 154,000 items from future physical inventories. The Section Chief in the Property Procurement and Management Section at FBI Headquarters identified a 1994 policy memorandum as the document as instituting the \$1,000 threshold at the Department of Justice. However, the 1994 memorandum stated that, even with the introduction of a \$1,000 threshold, the Department of Justice "would continue to account for [items such as] televisions [and] videocassette recorders . . ." because of "the susceptibility of converting certain items to personal use." In our judgment, the FBI should amend its

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<sup>13</sup> 41 CFR (JPMR) § 128-1.5002(c).

definition of accountable property to conform to Department of Justice requirements.

## **Procurement and Receipt of Property**

To test procurement and receipt of property, we: 1) tested a sample of procurement actions to determine if the purchased property was added to the Property Management Application, 2) tested a sample of credit card purchases to determine if the supporting documentation was adequate, and 3) reviewed the BFD's procedures for ordering and receiving property for adequate segregation of duties.

### **Property Management Application**

We tested a sample of property procured by the BFD in FY 2003 to determine whether these items were added to the Property Management Application. We selected a judgmental sample of 10 requisition forms, 10 purchase orders, and 10 orders using telephonic numbers from FY 2003 property purchases.<sup>14</sup> These 30 procurement actions represented a total of 55 items of property. For those items with an acquisition cost of \$1,000 or more, we requested a Property Management Application record to document the item's inclusion in the system. The Lead Supply Technician was able to provide a Property Management Application record for all of the items with acquisition costs of over \$1,000. However, for those items with acquisition costs of under \$1,000, there was not enough unique information included on the documents to identify the items in the separate databases maintained by the property custodians. Therefore, we could not verify that these items were included in any tracking system.

### **Credit Card Purchases**

During our testing of credit card purchases, we found that the BFD Administrative Officer was approving payment of individual credit card bills without reviewing supporting documentation for the purchases. While FBI Headquarters only requires cardholders to maintain a log of their purchases, the BFD Financial Manager requires cardholders to complete and forward to her an FD-369 (requisition) form for each credit card purchase. Our testing revealed that not all cardholders complied with this requirement. According to the FBI Purchase Card Procedures, the Administrative Officer is responsible for approving individual bills and the Financial Manager is responsible for reconciling the individual bill to the consolidated bill. The

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<sup>14</sup> The BFD uses telephonic numbers for undercover purchases. A telephonic number is an identifying number assigned to expenses that are to be paid from case funds, rather than general office funds.



Administrative Officer expressed concern that he is approving the bills for payment without knowing what items have been purchased or if such purchases were approved in advance. In our judgment, the Administrative Officer should receive, with each cardholder's bill, the FD-369 form and receipts that support the amounts on the bills.

### **Segregation of Duties**

Segregation of duties in the property management process is necessary to reduce the risk of error or fraud. We determined that a lack of segregation of duties – specifically between ordering and receipt of property – contributed to Stull's thefts remaining undetected. When a BFD employee orders an item using a credit card, the cardholder may appear as the addressee on the package. In these cases, the employees that screen deliveries of new property for security purposes may contact the cardholder to retrieve the package instead of a supply technician. Therefore, the supply technicians would not be aware that an item was received and should be entered in the Property Management Application unless the purchaser notified them.

In addition, even though Stull was not a cardholder, he could obtain equipment directly from the photography unit at FBI Headquarters using an electronic communication.<sup>15</sup> The BFD has taken steps to correct this weakness by requiring BFD supervisory approval of photography equipment requests and ensuring deliveries are received by the supervisor instead of the property custodian.

### **Location Testing and Completeness of Property Records**

To determine whether the BFD could locate and produce for our inspection property recorded in the Property Management Application, we selected items listed in the Property Management Application and physically verified them. We also conducted this testing on property lists maintained by the four property custodians who track under \$1,000 property. Finally, to test the completeness of the Property Management Application and the databases maintained by the property custodians, we selected property items during office walk-throughs of the BFD and verified them to Property Management Application property records and the property custodians' databases.

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<sup>15</sup> According to the BFD Administrative Officer, in contrast to other property areas all photography equipment is funded by the FBI Headquarters budget.

## **Results of Location Testing**

We requested a universe of the property designated to the BFD in the Property Management Application. The data provided by FBI Headquarters contained 5,620 Property Management Application records as of January 30, 2004. In addition, we obtained universes from the four property custodians who maintain databases of the under \$1,000 property in their control. These databases included a combined 6,071 property items. To test the BFD's ability to locate these items, we selected statistical samples from each of the universes below for review and asked the BFD to produce the items for our inspection. We concluded that the BFD located about 99 percent of the Property Management Application sample, but lower percentages of the other samples. The number of items in each universe and each sample and the results of our testing follow:

**BFD Property Universes and Results of  
Office of the Inspector General Testing**

Property Area	Number of Items	Sample Size	Located <sup>16</sup>	Not Located	Could Not Determine <sup>17</sup>
<b>Sample from Property Management Application</b>					
Property Management Application	5,620	221	219	0	2
<b>Total of \$1,000 and Over Property</b>	<b>5,620</b>	<b>221</b>	<b>219</b>	<b>0</b>	<b>2</b>
<b>Percentages of \$1,000 and Over Testing</b>			<b>99%</b>	<b>0%</b>	<b>1%</b>
<b>Under \$1,000 Sample from Property Custodians' Databases</b>					
Photography Equipment	789	46	44	2	0
Computers	1,232	72	66	6	0
Technical Equipment	2,579	150	108	32	10
ET - Radio Equipment	471	27	20	4	3
ET - Data Communication Equipment	400	30	28	1	1
ET - Physical Security Equipment	600	29	28	0	1
<b>Total of Under \$1,000 Property</b>	<b>6,071</b>	<b>354</b>	<b>294</b>	<b>45</b>	<b>15</b>
<b>Percentages of Under \$1,000 Testing</b>			<b>83%</b>	<b>13%</b>	<b>4%</b>
<b>Total Sample</b>					
<b>Total Number of Property Items</b>	<b>11,691</b>	<b>575</b>	<b>513</b>	<b>45</b>	<b>17</b>

Source: BFD property universes and Office of the Inspector General testing results.

Based on these results, we concluded that an item's exclusion from the Property Management Application decreased the BFD's chances of locating the item, even when the item was included in a property custodian's separate inventory database. The details from our testing of the various samples follow.

*Property Management Application Sample*

From the universe of 5,620 property items assigned to the BFD in the Property Management Application, we selected a statistical sample of 221 items. During our audit, the BFD's supply technicians and property custodians accounted for 219 of these items. They physically located and presented 210 of the items, provided certifications for 8, and documented that 1 additional item had been excessed. The remaining two items did not

<sup>16</sup> We considered a property item to be "located" if we saw the item and verified either a barcode or a serial number. We accepted certifications of an item's existence when our viewing of the item could have jeopardized an ongoing investigation or when the item was physically inaccessible.

<sup>17</sup> We classified a property item as "Could Not Determine" when the BFD physically presented an item to us as the one selected in the sample, but the item presented contained neither a barcode nor a serial number that could be verified.

have barcodes or serial numbers, and we could not determine if the two items presented to us were the items selected for verification.

For the Property Management Application sample, we concluded that the BFD was able to account for 219 of the 221 items in the sample (99.1 percent). When projected to the population of 5,620 items, we are 95 percent confident that at least 17 of these property items (0.3 percent) would be unverifiable. (Appendix VIII contains the details of our sampling design.)

#### *Under \$1,000 Samples*

We also received property listings from the four property custodians who maintain databases of the property in their control. The four property areas covered were: 1) photography equipment, 2) computer equipment, 3) technical equipment, and 4) ET. The four areas of under \$1,000 property contained a combined total of 6,071 items of property. We then selected a statistical sample of property from these items for testing. To provide effective audit coverage of the 6,071 property items and to maintain a manageable sample size, we designed a stratified random sample that allowed for projection to the entire universe. However, the sample design did not allow for projection to individual types of property.

The stratified random sample included a total of 354 items. Based on the test results described below, the BFD could not locate 46 of these 354 items. In addition, we could not determine whether an additional 15 of the 354 items were located because the items physically presented to us by the BFD did not contain a verifiable barcode or serial number. Therefore, when projected to the population of 6,071 items, we are 95 percent confident that the BFD would not be able to locate at least 570 of these property items (9.4 percent) and that at least 133 of these property items (2.2 percent) would be unverifiable.

- **Photography Equipment Sample**

From the under \$1,000 universe of 789 photography equipment items, we selected a statistical sample of 46 items for the BFD to locate. The supply technicians and the property custodian for photography equipment accounted for 44 of these items. They physically located and presented 41 of the items, and provided certifications for an additional 2 items. For the three remaining items, two camera lenses remain missing, but following fieldwork, the property custodian determined that an agent who was transferred to the Detroit Field Division took the third item – a camera – with him. Although this item was not located within the BFD and there was

no official documentation of the transfer, we concluded that the BFD was able to successfully account for 44 of the 46 items in the sample (95.7 percent).

- Computer Equipment Sample

From the under \$1,000 universe of 1,232 computer equipment items, we selected a statistical sample of 72 items for the BFD to locate. The supply technicians and property custodian for computer equipment accounted for 66 of these items (91.7 percent). They physically located and presented 50 items and provided documentation that 13 had been excessed, and 3 were transferred out. The other six items remain missing. Among the items missing were three computer monitors, one central processing unit, one printer, and one tape drive.

- Technical Equipment Sample

From the under \$1,000 universe of 2,579 technical equipment items, we selected a statistical sample of 150 items for the BFD to locate. The supply technicians and the property custodian for technical equipment accounted for 108 of these items (72.0 percent). They physically located and presented 86 items, provided documentation that 3 were identified as surplus, 6 had been destroyed, 1 had been transferred out to another location, and 1 had been reported as lost or stolen. In addition, the property custodian provided certifications for 11 items.

The supply technicians and property custodian for technical equipment also presented 10 items to us that they stated were the items in the sample; however, these items had neither a barcode nor a serial number that we could verify. Among these 10 items were a pinhole lens, a color camera, and a set of binoculars. The other 32 items remain missing. Among the items missing were cassette recorders, video cameras, a television monitor, binoculars, and a videocassette recorder.

- ET (Telecommunication and FM Radio Equipment) Sample

Finally, we tested a statistical sample of ET items for the BFD to locate. Because of the manner in which the property custodian for ET tracks the inventory in his database, we further subdivided the ET testing into three property areas: 1) radio equipment, 2) data communication equipment, and 3) physical security equipment.

## Radio Equipment

From the under \$1,000 universe of 471 ET radio equipment items, we selected a statistical sample of 27 items for the BFD to locate. The supply technicians and property custodian for ET accounted for 20 of these items (74.1 percent). They physically located 18 of the items and provided documentation that 2 items had been excessed. However, another three items, all of which were radio circuit lines, had neither a barcode nor a serial number that we could verify.<sup>18</sup> The other four items, including a radio scanner and a radio charger, remain missing.

## Data Communication Equipment

We selected a statistical sample of 30 items from the universe of 400 ET data communication equipment items for the BFD to locate. The supply technicians and property custodian for ET accounted for 28 of these items (93.3 percent). They physically located and presented 26 items in the sample and provided certifications for an additional 2 items. However, one item had neither a barcode nor a serial number that we could verify, and one item, a converter, remains missing.

## Physical Security Equipment

We selected a statistical sample of 29 items from the universe of 600 ET physical security equipment items for the BFD to locate. The supply technicians and property custodian for ET accounted for 28 of these items (96.6 percent). They physically located and presented 25 items, provided certifications for 2, and documentation that 1 item had been transferred out of the BFD. However, one item, a color camera, had neither a barcode nor a serial number that we could verify.

## *Analysis of Under \$1,000 Testing*

For all four property areas under \$1,000 that we tested, we found that the BFD has a decreased chance of locating property if it is excluded from the Property Management Application, even if it is included in a property custodian's separate inventory database. We also identified items that were not included in the Property Management Application even though the items met the FBI's definition of accountable property. Specifically, during our development of the under \$1,000 universes, we found 141 items with listed acquisition costs exceeding \$1,000 remaining in the ET list of radio

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<sup>18</sup> Although radio circuit lines are not strictly property, the property custodian included these items in his database from which our sample was selected.

equipment. We asked the Lead Supply Technician to review these items, and he determined that 21 of the 141 items had actual acquisition costs greater than \$1,000 and therefore should be included in the Property Management Application. The items included, among others, one hand-held radio, four computer monitors, and eight remote consoles. The Lead Supply Technician concluded that other offices had ordered at least 15 of the 21 items for the BFD, and that the purchase order was never provided to him. Because we could not verify that purchases by other offices were the actual cause of these omissions from the Property Management Application, the Property Procurement and Management Section at FBI Headquarters should investigate whether this issue is unique to the BFD or whether items ordered on behalf of other divisions were also not included in the Property Management Application.

We identified three central processing units in the under \$1,000 computer equipment database. As previously noted, all central processing units should be included in the Property Management Application regardless of cost. We determined that one central processing unit had been excessed, another was missing, and the third should have been added to the Property Management Application. The BFD could not provide an explanation as to why this oversight occurred.

### **Results of Completeness Testing (Walk-Throughs)**

We selected a judgmental sample of property currently in use at the BFD to determine whether the items were included in the Property Management Application. We selected a total of 55 items during walk-throughs of the Baltimore office and the resident agencies for eight of the nine property areas.<sup>19</sup>

The supply technicians provided copies of Property Management Application records for 48 of the 55 items selected. Of the remaining seven items, all were reported to have acquisition costs of under \$1,000. According to the documentation provided, four of these items were once included in the Property Management Application but were deleted when the dollar threshold was increased to \$1,000. The other three items, a camera tripod, laserjet printer, and computer monitor, were not required to be included in the Property Management Application based on their costs. Of the seven under \$1,000 items, we were only able to locate five in the separate databases maintained by the property custodians.

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<sup>19</sup> We could not select any items in the word processing equipment property area because, according to the Lead Supply Technician, there are no items of word processing equipment listed in the Property Management Application or any items that the property custodian considers worthy of tracking separately.

After we completed our location testing and walk-throughs, we examined the frequency and results of the BFD's most recent physical inventories and tested the BFD's disposal of property for proper documentation and timeliness.

## **Frequency and Results of Physical Inventories**

The Justice Property Management Regulations and the FBI's Accountable Property Manual require the BFD to perform a complete physical inventory of all capitalized property at least once every year and a complete physical inventory of all controlled personal property at least once every two years. We found that since FY 2001 the BFD has adhered to the FBI and Justice Property Management Regulations' requirements for inventories. It conducted the most recent biennial inventory in FY 2003. In addition, because of the thefts by Stull, the BFD conducted a special inventory of photography equipment in January 2003, and as a result developed a complete list of all accountable and non-accountable property in that area.

The FBI uses scanner technology to complete the overall inventory, and our review of the documentation of the 2003 inventory showed adequate segregation of duties with regard to the physical inventory process. The Property Management Application produces a report of the results of the physical inventory. According to the Administrative Officer, at the time of the 2003 biennial inventory, the Property Management Application contained approximately 5,000 property items that were assigned to the BFD. The Administrative Officer also stated that the BFD was unable to locate about one percent of these items during that inventory. We reviewed the documentation for the remaining 22 items (0.4 percent) that could not be located during or since the 2003 biennial inventory. We determined that the BFD conducted adequate searches for and reviews of the circumstances surrounding these missing items.

We also tested the BFD's compliance with the FBI requirement that an FD-500 form be submitted to FBI Headquarters when items are lost, missing, or stolen. (See Appendix VI for a sample FD-500 form.) The BFD provided copies of FD-500 forms that corresponded to the 22 property items that were not located during or since the 2003 biennial inventory.<sup>20</sup> The BFD classified 2 items as stolen and 20 items as lost; none of the items were

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<sup>20</sup> Among the 22 items reported lost, missing, or stolen were: 3 videocassette recorders, 2 radio frequency links, 2 microwave transmitters, 2 closed circuit television lenses, and 1 camcorder, video scrambler, thermal imager, tape unit, portable radio, dialed number recorder, digital audio recorder, digital camera, hand-held radio, microwave receiver, laser-jet printer, Pentium central processing unit, and desktop microcomputer.



identified as confidential property or as containing sensitive or classified material. Based on these results, we concluded that the BFD complied with the FBI FD-500 documentation requirement.

## Disposal Testing

FBI field divisions are responsible for informing FBI Headquarters that an item is ready for disposal and for complying with the timeline and method of disposal as instructed by FBI Headquarters. The Accountable Property Manual includes a requirement that once FBI Headquarters approves the disposal of an item of property, the field office has 30 days to dispose of it. As described below, our testing in this area revealed that the BFD did not fully comply with this 30-day requirement, but for valid reasons.

We received a list from FBI Headquarters of 474 items that had been disposed of or identified as excess by the BFD since January 1, 2003. In order to determine whether the BFD received the appropriate authorization to dispose of these items and whether the items were disposed of in the provided amount of time, we reviewed documentation for a judgmental sample of 47 items (10 percent). Our results are as follows:

### Results of Disposal Testing at the BFD

Status of Items	Number	Comments
Disposed of:		
<i>Timely</i>	14	
<i>4 Days late</i>	5	<i>Delay attributable to data entry.</i>
<i>54 Days late</i>	3	<i>Disposal ordered during annual inventory.</i>
<i>74 Days late</i>	12	<i>Disposal ordered during annual inventory.</i>
Total	34	
Administratively Deleted But Still in Existence	7	When items once included in the Property Management Application no longer meet the FBI definition of accountable property because of a change in the dollar threshold, the Property Management Application lists the items as "disposed."
Cannibalized	3	Serviceable parts were removed from the item for use in the repair of other property or equipment.
Not Processed for Disposal	1	
Disposal Date Indeterminable	2	Available documents did not identify the disposal date.
<b>Total items tested</b>	<b>47</b>	

Source: Office of the Inspector General testing results.

We found that the BFD did not begin processing 1 item for disposal and did not actually dispose of another 7 of the 47 items. Rather, FBI

Headquarters "admin deleted" these seven items from the Property Management Application when the property threshold increased from \$500 to \$1,000 because the items' acquisition costs were less than \$1,000. The Property Management Application system classifies these items as "disposed" even though the items are still in use at BFD. We asked the Lead Supply Technician about the delays in 20 of the 34 items that were disposed of. He explained that for those items disposed of 4 days late, he had disposed of the items before the deadline, but that FBI Headquarters did not record the disposition until after the 30 days had passed. In addition, concerning the 54 and 74-day delays, the Lead Supply Technician stated that the electronic communications from FBI Headquarters that ordered the disposal of these items arrived while the 2003 inventory was being conducted. The Lead Supply Technician stated that not only did the supply technicians not have enough time to dispose of the items because of their involvement with the inventory, but also that the items themselves were included in the inventory because they were still active records in the Property Management Application. Therefore, these items could not be disposed of until the inventory was over. Based on the explanations provided, we concluded that the BFD's delay in disposing of several items of property during FY 2003 was reasonable.

## **Conclusions**

We concluded that the FBI should expand its definition of accountable property to require that additional items be tracked in the Property Management Application that meet the definition of controlled personal property in the Justice Property Management Regulations. We believe that items such as cameras, televisions, and videocassette recorders fall under the Justice Property Management Regulations' definition of controlled personal property and are thus required to be included in a personal property accountability system and physically inventoried biennially.

We found that items excluded from the Property Management Application have a decreased chance of being located, even when tracked in a property custodian's separate inventory database. During our location testing, the BFD was able to locate about 99 percent of the items in the Property Management Application sample, but only about 83 percent of the items in the under \$1,000 sample. When projecting to the Property Management Application population of 5,620 items, we are 95 percent confident that at least 17 of these property items (0.3 percent) would be unverifiable. Similarly, projecting to the population of 6,071 under \$1,000 items tracked separately by property custodians, we are 95 percent confident that the BFD would not be able to locate at least 570 of these

property items (9.4 percent) and that at least 133 of these property items (2.2 percent) would be unverifiable.

We also identified items that the BFD did not record in the Property Management Application even though the items met the FBI's definition of accountable property. Specifically, we identified 21 items that were being tracked by the ET property custodian that had acquisition costs of \$1,000 or more, as well as 1 central processing unit listed in the computer equipment property custodian's database that had not been listed in the Property Management Application. In addition, we found a lack of segregation of duties between ordering and receipt of credit card purchases that may circumvent the entry of items into the Property Management Application and that individual credit card bills were approved for payment without adequate supporting documentation for the charges.

Finally, we determined that since FY 2001, the BFD has adhered to the FBI and Justice Property Management Regulations' requirements for biennial and annual inventories. We also determined that while the BFD's disposal of property may not have been timely, the BFD had acceptable reasons for the delays.

## **Recommendations**

We recommend that the FBI:

1. Amend the FBI policy for entering items into the Property Management Application by mandating the tracking of under \$1,000 property that meets the Justice Property Management Regulations definition of controlled personal property.
2. Determine if the following weaknesses exist in other FBI field divisions, and if so, take appropriate corrective action.

We recommend that the BFD:

3. Ensure that all new property, regardless of its addressee, be received first by a supply technician.
4. Ensure that FD-369 forms are completed and approved before each credit card purchase.
5. Ensure that the Administrative Officer receives adequate supporting documentation from each cardholder that supports the amount of the charges on his or her bill.

## APPENDIX I

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to assess the overall effectiveness of the BFD's property controls from procurement through disposal. Since FBI Headquarters, not the BFD, is responsible for ensuring that disposals of property meet federal regulations, we limited our testing in this area to the BFD's compliance with the FBI Headquarters requirements. In addition, the BFD informed us of their impending relocation and, therefore, we observed physical security control, but performed no testing in this area. We conducted our audit in accordance with Government Auditing Standards and included such tests as were considered necessary to accomplish our objectives.

As part of our audit, we conducted interviews with various officials from FBI Headquarters and the BFD, including the Section Chief and Unit Chief from the FBI's Property Procurement and Management Section, the BFD Administrative Officer, the BFD Lead Supply Technician, and the nine BFD property custodians. We performed our fieldwork at the Baltimore, Maryland, and satellite offices of the BFD.

We obtained an understanding of the FBI and the BFD's property management system and procedures by reviewing pertinent documents, including the Justice Property Management Regulations, the FBI's Accountable Property Memorandum, and FBI policy memoranda. In addition, we reviewed Property Management Application property records and the property databases maintained by four property custodians. We also reviewed Stull's case file and met with an investigator from the joint investigation of Stull's property thefts from the BFD.

In addition, we performed testing at the BFD to assess its inventory controls. Specifically, we tested to determine whether the BFD could locate items of inventory, both from Property Management Application listings and from property listings maintained by property custodians. We also tested to determine whether property procured in various manners was added to the Property Management Application and whether property currently in use at the BFD had been entered into the Property Management Application, if appropriate. In addition, we tested the BFD's credit card reconciliation process to verify the presence of documentation for the charges. For the inventory testing, our samples were statistically selected. In all other cases, our samples were judgmentally selected.

## APPENDIX II

### ROLES OF BFD PROPERTY OFFICIALS

**Accountable Property Officer** – At the BFD, the Accountable Property Officer is the Special Agent in Charge. According to the Accountable Property Manual, the Accountable Property Officer's responsibilities include coordinating the property management program within the BFD, providing required leadership and guidance to ensure effective internal control procedures are in compliance with the requirements of the FBI, ensuring property records are created, and ensuring the property management program within the BFD is in compliance with the FBI's property management program.

**Administrative Officer** – The Administrative Officer is responsible for the day-to-day management of administrative activities at the BFD, which includes approving FD-369 forms. The Administrative Officer is also the Approving Official for payment of purchase credit card charges and is responsible for verifying these charges.

**Financial Manager** – The Financial Manager supervises the BFD's supply technicians and may also approve FD-369 forms. In addition, the Financial Manager reconciles the individual purchase credit card statements to the BFD's master statement and designates to which BFD accounts the payments are to be charged against.

**Property Custodian** - The BFD has designated nine property custodians as responsible for certain categories of personal property at the BFD. Their responsibilities include securing physical custody of the property, providing information about the property to the supply technicians, and maintaining property documentation. These property custodians maintain control over the following nine property areas: 1) automobiles, 2) computer equipment, 3) ET, 4) firearms, 5) laboratory equipment, 6) office equipment and fixtures, 7) photography equipment, 8) technical equipment, and 9) word processing equipment. The property responsibilities these property custodians have are collateral to their official duties.

**Supply Technician** - At the BFD, four supply technicians handle the addition of new property to the Property Management Application. Their responsibilities include creating and maintaining inventory records, ensuring maximum utilization of available property, providing for the care and security of property, and identifying property as excess.

## APPENDIX III

### BALTIMORE FIELD DIVISION PROCEDURES DURING THE PROPERTY LIFE CYCLE

#### Procurement

According to the Administrative Officer, any BFD employee can request that a certain item of property be purchased, but only certain employees can actually procure an item and obligate funds. Specifically, the BFD has 20 purchase credit cardholders, with card limits ranging from \$10,000 to \$100,000, and three contracting officers. The BFD's four supply technicians are among the 20 purchase credit cardholders, as are two of the contracting officers. The Administrative Officer is both a purchase cardholder and a contracting officer. According to FBI policy, only the supply technicians or the contracting officers may purchase equipment; the other cardholders can only purchase supplies. The Financial Manager confirmed that this policy is in use at the BFD.

Credit cards may be used for overt transactions up to \$2,500, but purchase orders should be used to procure items with costs from \$2,501 to \$25,000. In addition, the BFD uses telephonic numbers for undercover purchases. A telephonic number is an identifying number assigned to expenses that are to be paid from case funds, rather than general office funds. According to the Financial Manager, a telephonic number is generally required for maintenance or service charges of \$500 or more, and for equipment purchases of \$1,000 or more. However, there is no maximum dollar amount for a telephonic number. In addition, a confidential credit card may be used for undercover purchases. The procurement procedures for these purchases are the same, except that the purchases are made under a fictitious name.

The starting point for many property purchases at the BFD is the FD-369 form. (Refer to Appendix V for a sample FD-369 form.) According to the BFD's Lead Supply Technician, in order to procure an item, the employee seeking the purchase completes an FD-369 form. The FD-369 form is reviewed initially by a supply technician and then forwarded to either the Financial Manager or the Administrative Officer for approval. If the FD-369 form is signed and approved by either of these officials, the purchase is made.

In addition, according to the Administrative Officer, the BFD only uses third-party drafts for recurring commercial payments or when a vendor does

not accept credit cards. The BFD requires that a separate form, besides the FD-369, be prepared to request a third-party draft.

## **Receipt of Property**

All property that is received at the BFD is delivered to a trailer located in the parking lot to be x-rayed and screened for dangerous components. Once the package is deemed safe, it is placed near the supply room or, if the item is too large, a supply technician is called to retrieve it. The Lead Supply Technician stated that once property, equipment, or supplies arrive at the BFD, the supply technician who reviewed the FD-369 form physically receives and inspects an item, adds it to the Property Management Application, if necessary, and delivers the item to the employee who ordered it.

The practice described by the Lead Supply Technician complies with the FBI's procedures for receiving property. Section 5-1 of the Accountable Property Manual states, in part, that, "[i]t is the responsibility of each [s]upply [t]echnician or property custodian to receive all shipments of supplies, furniture, and equipment consigned to his/her cost center(s). When the property has been received, the [s]upply [t]echnician or property custodian must thoroughly inspect the shipment to ensure that the items received are correct, that shipping damage has not occurred and to determine if a complete or partial shipment was received." However, the Lead Supply Technician also acknowledged that when an employee orders an item with a purchase credit card, the cardholder may appear as the addressee on the package. In these cases, the employees in the x-ray trailer will usually contact the purchaser, instead of a supply technician, to retrieve the package.

The Lead Supply Technician also stated that property can be received by the BFD through forfeitures, gifts, or as abandoned property; however, he stated that very little property has been added to the Property Management Application through gifts.<sup>21</sup> The Lead Supply Technician explained that for forfeitures and abandoned property, FBI Headquarters sends him an electronic communication to notify him that the property is arriving. An employee in the BFD's forfeiture section will actually receive the property; however, the Lead Supply Technician stated that someone from the forfeiture section will bring the property to him to have a barcode affixed and the item added to the Property Management Application. The Lead Supply Technician does not believe he even receives an electronic communication when the item's value is under \$1,000.

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<sup>21</sup> The Lead Supply Technician could only recall one gift in the last 10 years—a computer.

## **Placement into Inventory**

If the acquisition cost of the property received meets or exceeds the \$1,000 threshold amount, a supply technician will place an FBI barcode on the item and manually enter the barcode number and the item's identifying information into the Property Management Application. If the acquisition cost does not exceed \$1,000, a barcode will not be placed on the item, and it will not be entered into the Property Management Application. In either event, the supply technician will then deliver the item to the employee who ordered it. Confidential property is also included in the Property Management Application, but no barcodes are affixed to this property. These items are specifically identified as confidential in the Property Management Application and can only be queried in the Property Management Application through their serial numbers.

Presently, three of the four supply technicians assigned to the BFD are located at the Baltimore office while the other supply technician is located at the Calverton, Maryland resident agency. Except for the Calverton resident agency, any property designated for a resident agency is affixed with barcodes and entered into the Property Management Application at the Baltimore office. According to the Lead Supply Technician, all of the supply technicians have edit and query mode in the Property Management Application; however, only FBI Headquarters can delete a record from the Property Management Application. The property custodians have query mode in the Property Management Application only.

## **Tracking of Under \$1,000 Property**

According to the Unit Chief in the Property Procurement and Management Section at FBI Headquarters, there are no standardized procedures for tracking under \$1,000 property and the manner in which this property is tracked is left up to the Accountable Property Officer in the field divisions. At the BFD, the Accountable Property Officer is the Special Agent in Charge. Based on our interviews with the nine property custodians, only four property custodians track the under \$1,000 property in their control at all. The property areas with under \$1,000 tracking are: 1) photography equipment; 2) computer equipment, 3) technical equipment; and 4) ET. These four property custodians maintain Microsoft Access databases of all of the property in their control, not just the property with an acquisition cost of less than \$1,000.

According to the property custodian for photography equipment, his Microsoft Access database was established approximately two years ago,



specifically in response to Stull's thefts. Only the property custodian, his supervisor, the relief photographer, and the Administrative Officer have write access to the database, and changes can only be made at the property custodian's computer.

In contrast, the property custodian for technical equipment established his tracking system in Microsoft Excel about six years ago. He has since converted his database to Access and named it the Baltimore Technical Management System. The property custodian explained that the reason an item is included in the Baltimore Technical Management System has more to do with its operational purpose than its dollar value. For example, a customized or special-order camera with an acquisition cost of \$100 would be included in the Baltimore Technical Management System. On the other hand, a power supply with an acquisition cost of \$200 would not be included in the Baltimore Technical Management System because it is available commercially. Six technical agents, including the property custodian, have access to the Baltimore Technical Management System.

## **Distribution**

According to the Lead Supply Technician, the nine property custodians are responsible for the equipment and property that they charge out to employees. The Accountable Property Manual does not describe procedures for distributing or assigning out property and only includes instructions for using the property charge-in and charge-out features in the Property Management Application to assign an item of property to a specific person. However, FBI policy requires that laptop computers and firearms be charged out to specific individuals in the Property Management Application and that property pass (FD-281) forms be maintained for these items. (Refer to Appendix IV for a sample FD-281 form.)

In addition, during our audit, and particularly during our inventory review, we found that the property custodians have their own policies for when to prepare an FD-281 form. For example, the property custodian for firearms stated that he issues FD-281 forms for all weapons, but the property custodian for ET only prepares FD-281 forms for hand-held radios. In addition, the property custodian for computer equipment stated that he prepares FD-281 forms for both desktop and laptop computers while the property custodian for photography equipment stated that he prepares FD-281 forms for everything. The property custodian for photography equipment added that he even prepares FD-281 forms, which assign property to him, for the items that are in his photography equipment storage area.

According to the Lead Supply Technician, to assign property included in the Property Management Application to an employee, the property custodian would prepare an FD-281 form, sign the form, have the employee who is checking out the equipment sign the form, and then send the form to a supply technician. The supply technician will enter the information into the Property Management Application, and make a copy of the FD-281 for his records. The original will be returned to the property custodian.

## **Inventorying**

Section 128-1.5202 of the Justice Property Management Regulations describe the Department of Justice policy regarding the physical inventory of personal property. This section states, in part, that:

*(a) Bureaus shall ensure that a complete physical inventory is taken of all capitalized property at least once per year.*  
*(b) Bureaus shall ensure that a complete physical inventory is taken of all controlled personal property. Such inventories shall be performed at least biennially, but may be done on a cyclical basis.* *(c) For internal control purposes, employees participating in physical inventories shall not be the same individuals who are responsible for such property; however, property management personnel and custodians may assist in locating, identifying and reconciling the physical inventory process . . .* *(d) Each time there is a change in [Property Management Officer] or [property custodian], a physical inventory of controlled and capitalized property shall be completed for the assigned area, and the new individual shall sign a statement verifying the accuracy of the list and assuming formal accountability. Appropriate action shall also be taken to relieve the departing individual of accountability for missing items.*

Section 14-4 of the Accountable Property Manual provides an inventory schedule that is in compliance with the Justice Property Management Regulations and provides similar limitations on who can perform an inventory. According to Unit Chief in the Property Procurement and Management Section at FBI Headquarters, FBI inventories are performed on a biennial cycle. The first year, 100 percent of capitalized and non-capitalized property is inventoried, and the second year, only capitalized and sensitive property is inventoried.<sup>22</sup> Also according to the Unit Chief, property with an acquisition cost of less than \$1,000 is not included in the

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<sup>22</sup> Capitalized property includes non-real property with an acquisition cost of \$25,000 or more; sensitive property includes such items as laptop computers and weapons.

biennial inventory. Moreover, according to the Lead Supply Technician, these items are also never inventoried separately at the BFD.

The BFD's most recent 100-percent biennial inventories occurred in 1998, 2001, and 2003. In addition, the Lead Supply Technician stated that in January 2003, the BFD conducted an inventory of only photography equipment as a result of Stull's arrest. This inventory consisted of a 100-percent review of the photography equipment listed in the Property Management Application. However, because the BFD did not have a universe of the under \$1,000 photography equipment to compare to, the Lead Supply Technician acknowledged that they essentially only created a list of the remaining under \$1,000 photography equipment.

During the inventory, the four supply technicians assist other employees because, as described in the Justice Property Management Regulations, the supply technicians are not allowed to conduct the inventory themselves.<sup>23</sup> The inventory begins with the assigned employees traveling around the Baltimore office and the resident agencies, using portable scanners to scan the Property Management Application barcodes affixed to items. Afterwards, a Property Management Application report, which lists the items not scanned, is run. The assigned employees then go back to search for the items previously missed. This process continues until the deadline date set for the inventory by FBI Headquarters. After this date, the Lead Supply Technician must send a *Report of Lost/Stolen Property* (FD-500) to FBI Headquarters for each of the items not located. (Refer to Appendix VI for a sample FD-500 form.)

## **Disposal**

The Lead Supply Technician also described the BFD's procedures for disposal of property. He stated that when an item has been identified as surplus, a property custodian will bring the property to him and he will send an electronic communication to notify FBI Headquarters. He then waits for FBI Headquarters to tell him how to dispose of the property. During that time, the item is stored in an area of the supply room, which only he and the other supply technicians frequent, but to which others do have access. The Lead Supply Technician added that there is no approval process at the BFD for the disposal of an item. The property custodian simply brings the item to

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<sup>23</sup> The Lead Supply Technician provided a copy of the certifications of the 12 employees who conducted the 2003 biennial inventory to document that these employees were not supply technicians or property custodians. Based on these documents, we concluded that the BFD complied with this Justice Property Management Regulations requirement.

the Lead Supply Technician or notifies him of its location if the item is too large to move.

If an item is disposed of, this status is documented in the Property Management Application. Once an item is marked as disposed of in the Property Management Application, it will no longer appear on the list of items to be inventoried. In addition, according to the Unit Chief in the Property Procurement and Management Section at FBI Headquarters, her FBI Headquarters unit is responsible for authorizing the BFD to dispose of property included in the Property Management Application, but property that falls below the \$1,000 threshold is solely under the control of the Accountable Property Officer. Furthermore, the Accountable Property Manual includes a requirement that once FBI Headquarters approves the disposition of an item of property, the field office has 30 days to dispose of it.

SAMPLE FD-281 (PROPERTY PASS) FORM

FD-281 (Rev. 7-25-02)

RECEIPT FOR GOVERNMENT PROPERTY
FEDERAL BUREAU OF INVESTIGATION
UNITED STATES DEPARTMENT OF JUSTICE

Date: \_\_\_\_\_

I certify that I have received and/or returned the government property acknowledged below for official use:

RECEIVED: [ ]

FBI Identification Card No. \_\_\_\_\_
Special Agent Badge No. \_\_\_\_\_
Special Agent Credential Card No. \_\_\_\_\_
Support Employee Credential Card No. \_\_\_\_\_
Contractor/Task Force/Other Credential Card No. \_\_\_\_\_
Key No. \_\_\_\_\_ Hook No. \_\_\_\_\_ Room No. \_\_\_\_\_
Government Credit Card No. \_\_\_\_\_
Telephone Calling Card No. \_\_\_\_\_
Cellular Telephone No. \_\_\_\_\_
Laptop Computer No. \_\_\_\_\_
Bullet Proof Vest \_\_\_\_\_
Other \_\_\_\_\_

Property Received From: \_\_\_\_\_ (Signature) \_\_\_\_\_ (Typed Name) \_\_\_\_\_ (Date)
\_\_\_\_\_ (Signature)
\_\_\_\_\_ (Typed Name)
\_\_\_\_\_ (SSN)

RETURNED: [ ]

Reason for Returning: [ ] Absence for Maternity Reasons [ ] Transfer [ ] Military Leave [ ] Resignation [ ] Retiring
[ ] Other

FBI Identification Card No. \_\_\_\_\_
Special Agent Badge No. \_\_\_\_\_
Special Agent Credential Card No. \_\_\_\_\_
Support Employee Credential Card No. \_\_\_\_\_
Contractor/Task Force/Other Credential Card No. \_\_\_\_\_
Key No. \_\_\_\_\_ Hook No. \_\_\_\_\_ Room No. \_\_\_\_\_
Government Credit Card No. \_\_\_\_\_
Telephone Calling Card No. \_\_\_\_\_
Cellular Telephone No. \_\_\_\_\_
Laptop Computer No. \_\_\_\_\_
Bullet Proof Vest \_\_\_\_\_
Other \_\_\_\_\_

Property Returned To: \_\_\_\_\_ (Signature) \_\_\_\_\_ (Typed Name) \_\_\_\_\_ (Date)
\_\_\_\_\_ (Signature)
\_\_\_\_\_ (Typed Name)
\_\_\_\_\_ (SSN)

The government property which you hereby acknowledge is charged to you and you are responsible for taking care of it and returning it when its use has been completed.
Employee will be required to reimburse the FBI for lost/stolen property in cases where the employee is found to be negligent.

# APPENDIX V

## SAMPLE FD-369 (REQUISITION) FORM

FD-369 (Rev. 2-21-89)

**FEDERAL BUREAU OF INVESTIGATION**

**REQUISITION FOR SUPPLIES AND/OR EQUIPMENT**

**116854**  
Req. #

Date \_\_\_\_\_

Supply Technician: \_\_\_\_\_  
 Program Manager: \_\_\_\_\_  
 Funding Approved \_\_\_\_\_  
 COTR: \_\_\_\_\_  
 Room # & Ext: \_\_\_\_\_

Ordering Office/Cost Code / Approved By \_\_\_\_\_

Contract Specialist: \_\_\_\_\_  
 Date Received: \_\_\_\_\_  
 PPMS Approval: \_\_\_\_\_  
 Purchase Order # \_\_\_\_\_

**ORIGINAL**

Page \_\_\_\_\_ of \_\_\_\_\_

Julian Date \_\_\_\_\_

ITEM #	NATIONAL STOCK NUMBER	SER. #	FULL DESCRIPTION	UNIT OF ISSUE	QTY.	SUBJECT CLASS.	BI#	UNIT PRICE	TOTAL

**SPECIAL INSTRUCTIONS:**

Ship to Code: \_\_\_\_\_

Delivery Restrictions: \_\_\_\_\_

Government's Estimate: \_\_\_\_\_

Pprevious PO #: \_\_\_\_\_

Previous Contract #: \_\_\_\_\_

**JUSTIFICATION FOR THE PURCHASE OF NONEXPENDABLE ITEMS:**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

See Instructions on Reverse

SAMPLE FD-500 (REPORT OF LOST/STOLEN PROPERTY) FORM

FD-500 (Rev. 7-24-02)

FEDERAL BUREAU OF INVESTIGATION REPORT OF LOST OR STOLEN PROPERTY PROPERTY MANAGEMENT MATTERS

This form is to be submitted to the Property Management Unit within 10 days from the date of loss or theft.

Date:

To:

From:

Reported by:

Cost Center:

Circumstances: [ ] Stolen [ ] Lost [ ] Other \_\_\_\_\_

Date of Loss/Theft \_\_\_\_\_

Description: \_\_\_\_\_

Asset Classification: \_\_\_\_\_ Acquisition Cost: \_\_\_\_\_

Manufacturer: \_\_\_\_\_ Serial Number: \_\_\_\_\_

Model Number: \_\_\_\_\_ Asset Number: \_\_\_\_\_

[ ] Confidential Property [ ] Non-confidential Property

Did this item contain sensitive/classified information? [ ] Yes [ ] No (If "yes," attach required information. See MIOG, Part II, Section 26-13.1.)

Has this item been entered into NCIC? (If "no," please explain on attachment.) [ ] Yes [ ] No

Date entered into NCIC \_\_\_\_\_ NIC# \_\_\_\_\_

Has administrative action been taken regarding this matter? [ ] Yes [ ] No

Have you advised the FBIHQ Security Division? [ ] Yes [ ] No

Have you forward a copy of this report to OPR? [ ] Yes [ ] No

Property was last assigned/charged-out to: \_\_\_\_\_

Property custodian responsible for physical custody: \_\_\_\_\_

Details or explanation regarding the circumstances of this report: (Continued on separate sheet if necessary):

Recommendation of Accountable Property Officer (APO):

Signature of APO \_\_\_\_\_

Signature of Supply Technician \_\_\_\_\_

## APPENDIX VII

# FBI POLICY MEMORANDUM ESTABLISHING \$1,000 THRESHOLD

(Rev. 08-28-2000)

### FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 02/14/2002

To: All Divisions

Attn: Personal Attention:  
Assistant Director  
Special Agent in Charge  
Legat  
Administrative Officer  
Supply Technician

From: Finance

Property Procurement and Management Section, Property  
Management Unit

Contact: Towanna R. Johnson, ext. 8242

Approved By: Chiaradio Robert J  
Lampinski Jeffrey A  
Bland Andrew R III  
Storms James E

Drafted By: Johnson Towanna R:jal

Case ID #: 66F-HQ-C1189737

Title: ACCOUNTABLE PROPERTY MANAGEMENT;  
PROPERTY MANAGEMENT MATTERS

**Synopsis:** Announces increase to the threshold value of accountable non-expendable property and provides comprehensive policy regarding accountable property management from time of acquisition through disposal.

**Details:** The FBI's accountable property inventory was completed on January 24, 2002, the first complete physical inventory of all field offices and Headquarters entities in more than ten years. The inventory resulted in the discovery of more than \$52 million in lost, stolen, or unaccounted for property acquired and entered for inventory purposes into the FBI Property Management Application (PMA) since 1988. The next property inventory is scheduled for July, 2003.

On February 14, 2002, consistent with current Department of Justice (DOJ) policy, Director Mueller approved an increase in the threshold value of accountable non-expendable property from \$500 or more to \$1000 or more. As a consequence, nearly 154,000 items currently subject to inventory will in the future be exempt, significantly reducing the time, labor, and expense associated with the bi-annual accountable property inventory and property management in general.



To: All Divisions From: Finance  
Re: 66F-HQ-C1189737, 02/14/2002

Adherence to property management policy and strict accountability are the keys to minimizing future levels of lost, stolen, or unaccounted for property. A concise but yet comprehensive synopsis of current property management policy follows for those with direct and indirect responsibility for FBI property management. Detailed guidance may be found in the Accountable Property Manual which is being revised for distribution to all FBI divisions, field offices, and Legats.

In reality, beyond those persons with direct and indirect job responsibilities for property management, all FBI employees who possess FBI property are accountable for its receipt, safekeeping, transfer, and ultimate return. Division heads are therefore encouraged to bring this communication to the attention of all employees.

#### **General Background**

The FBI is required to conduct a physical inventory of property, plant, and equipment every two years. The inventory applies to non-expendable property with an acquisition value of \$1000 and greater (previously \$500 and greater), and to all firearms, COMSEC equipment, laptops, jewelry, and central processing units regardless of value. Property in these categories is maintained for inventory purposes in the FBI PMA. Property valued at \$25,000 or more (capital assets) is recorded on the General Ledger of the FBI.

Property management responsibilities are assigned to a variety of persons within the FBI. The Section Chief of the Property Procurement and Management Section (PPMS) is the sole Property Management Officer of the FBI and is thereby responsible for the administration, coordination, and control of the FBI's Property Management Program. Assistant Directors and Special Agents in Charge of each division and field office, as Accountable Property Officers (APO), are personally responsible for the proper and effective execution of property management policy within their respective divisions. APOs may designate one or more Property Custodians (PC) or Supply Technicians (hereafter referred to as Property Custodians) to maintain records for custody and control of accountable property. The PC maintains accurate inventory control and accountability systems to effectively manage accountable property and assists in the identification of property considered excess.

To: All Divisions From: Finance  
Re: 66F-HQ-C1189737, 02/14/2002

#### ACQUISITION OF PROPERTY

The FBI acquires property through a variety of means to include requisition, purchasing, forfeiture, and/or through the transfer of excess property from other agencies. The acquisition of property through requisition requires the use of Form FD-369 to initiate purchases of expendable and non-expendable items such as supplies, furniture and equipment. The PC reviews and signs each FD-369 to ensure all items requested are classified with an FBI account number integral to all aspects of the Bureau's financial management system (FMS). Once this form has been properly completed, the PC forwards all but one copy to the PPMS.

All documents regarding property management matters must be retained in accordance with applicable FBI policies. Current policy permits record destruction once a document by creation date is two or more years old.

To obtain property through transfer from the military or another federal agency, an approved SF-122 must be completed in its entirety by the requesting office and submitted to PMU. All non-expendable property acquired from other federal agencies which meets the inventory dollar threshold of \$1000 or more must be assigned a barcode label and placed on the PMA.

All non-expendable property purchased through the third-party draft system; acquired by government credit card; or received through forfeiture and placed into official use must likewise be assigned a barcode label and placed on the PMA. All Bureau vehicles are placed on the PMA. Adjustments to vehicle inventories are provided directly to the PMU by the Fleet Management and Transportation Services Unit.

#### RECEIPT OF PROPERTY

It is the responsibility of the PC to receive all shipments of supplies, furniture, and equipment consigned to the office. When such property is received, the PC must ensure the items received are correct, that no shipping damage has occurred, and also determine whether a complete or partial shipment was received. All items acquired by purchase order must be posted to the FMS Purchasing System within 48 hours of receipt. Copies of all receipt documentation must be maintained with the acquisition source document to complete the audit trail.

When a partial shipment is received from a vendor, the PC must process the Receipt Verification portion in the Purchasing System for only the specific quantity received. Copies of partial receipts must be maintained as a part of the

To: All Divisions From: Finance  
Re: 66F-HQ-C1189737, 02/14/2002

pending file until all goods have been received and posted to the FMS.

Field offices must establish internal procedures to ensure all property received by the office is accurately accounted for by the PC. He/she must act as the central receiving point for all accountable property, no matter how or by whom acquired.

FBIHQ program managers involved in acquisition and transfer of property to field offices are required to provide advance notification to the field offices of all property being shipped from a vendor directly to the office. The program manager, via EC, is to provide a description of the property, quantity, and anticipated arrival date. Property valued at \$1000 and more which is shipped directly to the field offices from FBIHQ, Engineering Research Facility, Quantico, or any FBI off-site, is to be barcoded and added to PMA and then transferred within PMA to the field division cost center. When the property is delivered to the field division, the PC will acknowledge its receipt and assume responsibility for recording any subsequent transfer in PMA.

#### PLACING PROPERTY ON INVENTORY

The barcode is a two-part, prenumbered decal used to identify each item of non-expendable property which meets the current inventory dollar threshold. The barcode number is the key control factor on the PMA. All assets and accountable property, if not barcoded upon delivery, must be assigned a barcode label by the PC upon receipt. When a barcode label cannot be affixed to the actual property, a 3 x 5 card containing the actual label, location, description of the property, manufacturer, model, and serial number is to be maintained by the PC.

To assist the FBI in accounting for property, some manufacturers are provided FBI barcode labels to affix to property prior to shipment to an office. In these instances, the manufacturer is instructed to place the label on the front of all property. The PC is responsible for placing this property on the PMA upon receipt. Speciality items such as CPUs must be assigned a barcode number and placed on PMA.

Although there is no requirement to enter into PMA non-expendable property valued at less than \$1000, at their discretion division heads may establish policy for tracking property valued at less than this threshold. If a division head desires to track property valued at less than the threshold, such as VCRs, cameras, televisions, etc., different colored barcode

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labels should be used for identification purposes. The use of a barcode label different in color from that used for the tracking of accountable property will enable division personnel to discriminate between items which must as a matter of policy be inventoried bi-annually, and those subject to discretionary inventory.

#### SPECIAL CASE AND CONFIDENTIAL PROPERTY

Acquisitions of non-expendable property to support a covert undercover operation (UCO), special surveillance, or other special investigative need which meet the established inventory dollar threshold and have a useful life greater than one year must be reported in PMA. All property seized during a UCO which becomes FBI owned property, and meets the \$1000 or more threshold, must be added to PMA.

Excess property in the custody of other federal agencies or the GSA may be obtained for use in UCOS. If an office locates property it would like to acquire in support of a specific law enforcement mission, an SF-122 (Transfer Order) must be completed in its entirety. Once the property has been obtained, the field office should immediately coordinate inventory action with the PC by photographing the property if it bears no serial number or other singular identifier, or is considered valuable. A barcode label and brief description of the property should be placed on the back of each photograph and then added to the PMA.

Non-expendable property acquired during the course of an UCO for use as "bait" property should not be placed on the PMA. In accordance with the Confidential Funding Guide, "Each UCO is accountable for the property and must maintain a separate property ledger to account for this property."

The PC should ensure that high-dollar value special case items, such as watches, jewelry, coins, and precious stones are maintained under the physical control of the designated management representative, along with their photographs. These items should be charged out within PMA to the case agent while being utilized.

#### TRANSFERS/VERIFICATION OF PROPERTY

The FBI transfers property on a temporary or permanent basis within and among the Bureau, DOJ, and other federal agencies. It is the PC's responsibility to process both the transfer and verification of property.

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The PC is responsible for property which is transferred from one cost center to another. The PC must process the transfer of the property using PMA's on-line transfer function.

When receiving an item transferred from another cost center, the PC must verify its receipt through PMA. Each PC may run a listing from PMA of all internal transfers which have not been verified as received by his/her cost center. Upon review of this listing, the PC must contact the originating cost center to reconcile any discrepancy.

On many occasions, the FBI transfers property to DOJ offices, boards, bureaus and divisions as well as to other federal agencies. Transfers of property to the DOJ or other federal agencies must have prior approval of PMU.

It is critical to proper program management that the APO establish internal procedures which ensure that the PC, aside from receiving all accountable property, tracks its transfer in PMA. Procedures must be established which enable the PC to track property for all employees who transfer, retire, or separate from the FBI.

#### EXCESS AND DISPOSAL OF SUPPLIES AND PROPERTY

Property and supplies that have become excess to the needs of an organization or are considered unprofitable to retain are subject to disposal. Disposition is the action taken to physically remove property from the FBI's accountable property records. If the property/supplies are no longer needed to satisfy the requirement for which acquired, a canvass should be taken to determine if further use can be found within the office. If the property/supplies can be used elsewhere, transfer of the items is appropriate. Once property has been determined excess to all FBI requirements, it is considered surplus property requiring PMU assistance. Do not dispose of any property determined suitable for surplus until instructions are received from FBIHQ.

Disposal of hazardous material (HAZMAT) or any other substance which is potentially dangerous to public health and safety must be done in strict accordance with Federal Property Management and Environmental Protection Agency (EPA) Regulations. When an office receives FBIHQ authority to dispose of or otherwise release HAZMAT, contact must be made with the state and local equivalent of EPA for guidance on proper disposal procedures.

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Controlled substances are not required to be reported as excess and cannot under any circumstances be donated to any local or state agency. Controlled substances can be made available to federal agencies via Drug Enforcement Administration Form 223. When an office is authorized by FBIHQ to dispose of drugs, biologicals, and reagents, they must be destroyed in such a manner as to ensure total destruction.

When a determination has been made that accountable property and/or equipment can no longer be used within an office, the item must be declared excess on the PMA. When excessing property not in PMA, i.e., that which does not meet current inventory dollar thresholds but is in good condition, the item must be barcoded and reported to the PMU via an FD-508, Excess Supplies and/or Equipment Report. Similarly, when excessing property not in PMA and in scrap condition, an internal record keeping system is to be implemented to document such property donated, destroyed, or transferred. Under no circumstances should an office dispose of FBI property without obtaining FBIHQ approval.

Any supply item that has been determined as excess to the needs of an office should be declared as excess on Form FD-508. PMU will obtain a listing from the PMA of all property which has been declared excess by all offices. When a determination has been made that the property cannot be reutilized within the FBI, PMU will initiate action with GSA to surplus the property.

Once an office receives written instructions from FBIHQ (Release Authorization Memorandum), the PC should coordinate the appropriate release action. When property is released to another agency by transfer or donation, the individuals both releasing and receiving the property must sign and date the Release Memorandum. This document must be returned within 30 days to FBIHQ and will serve as the documentation to remove the property from office accountability.

Surplus property may be abandoned or destroyed only after every effort has been made to dispose of it through other authorized means. Prior to authorizing the abandonment or destruction of FBI property, PMU must be notified in writing that the property has no commercial value; that its attendant cost of care and handling is greater than its probable sale price; or that because of its nature the property constitutes a danger to the public health, safety, or welfare. If the office is authorized to destroy property that meets the aforementioned criteria, Form FD-519, Requirements and Certification for Cannibalization and Destruction of Equipment, must be completed and forwarded to the PMU for appropriate action within 30 days.

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Form FD-519 will serve as the document to remove the property from the office inventory.

#### OTHER DISPOSAL METHODS

Property may be exchanged/sold by the FBI in accordance with the Federal Property Management Regulations. When requiring replacement property, similar items may be exchanged or traded-in and the proceeds from this exchange applied as partial payment for the replacement property. Restrictions and limitations to trading in property require PMU assistance.

#### LOST OR STOLEN PROPERTY

When property has been determined lost, stolen, or unaccounted for, the PC must complete Form FD-500, Report of Lost/Stolen Property. The PC must determine the circumstances and facts surrounding an incident which adversely affects accountable property. These facts must be reported on Form FD-500 and all appropriate questions answered. The APO must review the circumstances and advise of recommended action concerning the accountability and utilization of the property involved. Form FD-500 must be immediately forwarded to PMU for examination and verification of evidence presented and property record information.

#### PHYSICAL INVENTORY

Conducting physical inventories of FBI property is the act of comparing the actual property on hand, as verified by physical count, with the records maintained within PMA. The FBI is required to conduct a biannual physical inventory of all accountable non-expendable property.

In addition, the FBI performs physical inventories to ensure that its property records are accurate; its internal control procedures are being maintained; and to test the overall status of the automated PMA.

#### CONCLUSION

Strict adherence to policy regarding accountable property management within the FBI is every employee's responsibility. While division and field office APOs are ultimately accountable for proper and effective property management, every FBI employee who acquires, holds, is assigned, transfers, disposes of, or otherwise handles FBI property is responsible for that property. Account for it and safeguard it as you would your own possessions.

To: All Divisions From: Finance  
Re: 66F-HQ-C1189737, 02/14/2002

LEAD(s) :

Set Lead 1:

ALL RECEIVING OFFICES

Receiving APOs are requested to bring the contents of this communication to the attention of all employees to ensure strict compliance with FBI policy and procedure regarding accountable property management.

◆◆



## APPENDIX VIII

### STATISTICAL SAMPLING DESIGN AND COMPUTATION OF ESTIMATES

The statistical sampling universe consisted of 11,691 elements (Total number of Property Items.) This universe was composed of two sub-universes: (a) "Under-\$1,000 Property" of 6,071 elements, and (b) "Over-\$1000 Property," or accountable property, containing 5,620 elements. Two different sampling designs were employed for these two sub-universes. When testing, each element was tested for a characteristic, which we term as a discrete variable involving nominal measure (refer to the body of the Audit Report for a description of the audit tests conducted).

#### Under-\$1,000 Property

We employed a stratified random sampling design to provide effective coverage and to obtain precise estimates of the test statistics for the under-\$1,000 inventory. We estimated totals for two types of exceptions in this sub-universe. Our conservative estimates of lower limits, on 95 percent confidence intervals for the test statistic of total number of type 1 exceptions ("could not locate property") is 570 and that of type 2 exceptions ("could not determine") is 133. The estimates were computed using the formula (A) given below.

The notation and the formulae are as follows:

$N$  The number of elements in the sampling sub-universe

$N_h$  The number of elements in stratum  $h$

$n_h$  The number of elements sampled in stratum  $h$

$$n = \sum_h n_h$$

1 If the  $j^{\text{th}}$  sampled item in the stratum  $h$  tested, found to be a  $j^{\text{th}}$  type exception, for  $j=1$  or  $2$ .

$$y_{h_{ij}} =$$

0 Otherwise

Thus  $y_{h_{ij}} \in \{0, 1\}$  for each  $i$  and  $j$

$$\sum_j y_{ij} = 1 \quad \text{for each } i$$

$f_h = \frac{n_h}{N_h}$  The sampling fraction in the stratum  $h$

For stratum  $h$

$$\hat{p}_{hj} = \frac{\sum_i y_{hij}}{n_h}, \quad \hat{q}_{hj} = 1 - \hat{p}_{hj} \quad \text{for } j = 1 \text{ or } 2$$

For total

$\hat{Y}_j$  Estimate of the total number of exceptions of type  $j$

$$\hat{Y}_j = N \hat{p}_{j.st} \quad \text{Where } \hat{p}_{j.st} = \frac{\sum_h N_h \hat{p}_{hj}}{\sum_h N_h}$$

$$v(\hat{Y}_j) = N^2 v(\hat{p}_{j.st})$$

$$\text{Where } v(\hat{p}_{j.st}) = \sum_h \left( \frac{N_h}{N} \right)^2 (1 - f_h) \frac{\hat{p}_{hj} \hat{q}_{hj}}{n_h}$$

Lower limit on the 95% confidence interval for the estimates  $\hat{Y}_j$  are given by:

$$\hat{Y}_j - 2\sqrt{v(\hat{Y}_j)} \quad \text{for } j=1 \text{ or } 2 \quad (\text{A})$$

## Over-\$1000 Property

We employed a random sampling design for testing and to obtain estimates of the test statistic of the accountable property sub-universe. We estimated totals for one type of exceptions in this sub-universe (“could not determine”). Estimate of lower bound on 95 percent confidence interval for the test statistic of total number of exceptions is 17. The estimate was computed using the formula (B) given below.

The notation and the formulae are as follows:

$N$  The number of elements in the sampling sub-universe

$n$  The number of elements sampled

$a$  The number of exceptions found in the sample

$$\alpha = 5\% = 1 - 95\% \quad \text{and} \quad \alpha = \alpha_L + \alpha_U$$

$\hat{A}_L$  and  $\hat{A}_U$  Respectively lower and upper 95% confidence limits obtained from solving the following equations.

$$\sum_{j=0}^{j=a} \frac{\binom{\hat{A}_U}{j} \binom{N - \hat{A}_U}{n - j}}{\binom{N}{n}} = \alpha_U$$

$$\sum_{j=a}^{j=n} \frac{\binom{\hat{A}_L}{j} \binom{N - \hat{A}_L}{n - j}}{\binom{N}{n}} \leq \alpha_L \quad \text{(B)}$$

APPENDIX IX

FBI RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Federal Bureau of Investigation

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Washington, D. C. 20535-0001

September 20, 2004

Ms. Joan M. Becker  
Acting Regional Audit Manager  
Office of the Inspector General  
U.S. Department of Justice  
Washington Regional Audit Office  
1300 North 17th Street, Suite 3400  
Arlington, VA 22209

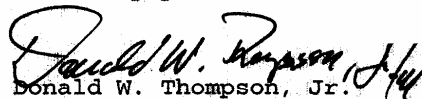
Dear Ms. Becker

Re: Response to the Office of Inspector General  
Audit of Controls Over Accountable Property  
at the Baltimore Field Division of the  
Federal Bureau of Investigation

The Federal Bureau of Investigation has prepared appropriate responses to the recommendations contained in your report captioned above. The responses have undergone a classification and sensitivity review. Both are enclosed with this letter.

Please contact me or Joan F. Ridgley of my staff should you have any questions. Ms. Ridgley may be reached on (202) 324-6390.

Sincerely yours,

  
Donald W. Thompson, Jr.  
Acting Assistant Director  
Inspection Division

Enclosures (2)

**FBI RESPONSE TO RECOMMENDATIONS CONTAINED  
IN THE DRAFT AUDIT REPORT - CONTROLS OVER  
ACCOUNTABLE PROPERTY AT THE BALTIMORE  
FIELD DIVISION OF THE FEDERAL BUREAU OF INVESTIGATION**

**Recommendations:**

**We recommend that the FBI:**

**1. Amend the FBI policy for entering items into the Property Management Application by mandating the tracking of under \$1,000 property that meet the Justice Property Management Regulations definition of controlled personal property.**

**Response:**

The Justice Property Management Regulations (JPMR) are currently being revised by the Justice Management Division, Department of Justice, and is in a draft format. Once the JPMR has been revised and finalized, the FBI will then make appropriate amendments for entering accountable property into the Property Management Application.

**2. Determine if the following weaknesses exist in other FBI field divisions, and if so, take appropriate corrective action.**

**Response:**

The Finance Division's Property Procurement Management Section - Audit Group, is scheduled to commence field audits of the credit card program in Fiscal Year "05". In its' Credit Card Audit Plan, the auditors will be specifically testing for the weaknesses identified, completion of FD-369s through signature before each purchase and that adequate documentation exists supporting charges reflected on the billing statements.

If the Audit Group finds deficiencies in limited instances, remedial training will be provided to the offending parties. If the weaknesses appear to be systemic, a formal class of instruction will be taught by the Bureau's Credit Card Program Manager.

**BALTIMORE FIELD DIVISION'S (BFD) RESPONSE TO RECOMMENDATIONS  
CONTAINED IN THE DRAFT AUDIT REPORT - CONTROLS OVER  
ACCOUNTABLE PROPERTY AT THE BALTIMORE  
FIELD DIVISION OF THE FEDERAL BUREAU OF INVESTIGATION**

**Recommendations:**

**We recommend that the BFD:**

**3. Ensure that all new property, regardless of its addressee, be received first by a supply technician.**

**BFD Response: \***

The BFD has implemented this recommendation. The Administrative Officer (AO) has instructed the Financial Manager, Supervisory Administrative Specialists (SAS's) and the Lead Supply Technician to ensure that all new property is first sent to the appropriate Supply Technician prior to dissemination. Furthermore, procedures have been established with the Baltimore Office Services Supervisor (OSS) to ensure that all property arriving in the division is first routed to the appropriate Supply Technician. New and all ready established procedures will be formalized, documented and forwarded to FBIHQ by 10/15/2004.

**4. Ensure that FD-369 forms are completed and approved before each credit card purchase.**

**BFD Response:\***

Current procedures in the BFD requires that completed FD-369's are forwarded to the Financial Manager for approval and obligation of funds prior to purchases. The BFD has instructed all credit card holders that FD-369's must be approved by their immediate supervisors before submission to the Financial Manager. This procedure will ensure that all purchases are warranted and in direct support of the BFD operations and the mission of the FBI. New and established procedures will be formalized, documented and forwarded to FBIHQ by 10/15/2004.

**5. Ensure that the Administrative Officer receives adequate supporting documentation from each cardholder that supports the amount of the charges on his or her bill.**

**BFD Response:\***

The BFD suggests that this recommendation be amended to reflect the following language: *"Ensure that the Administrative Officer (or other appropriate management official) receives adequate supporting documentation from each card holder that supports the amount of the charges on his/her bill."*

All credit card holders will be instructed that supporting documentation, i.e. FD-369, receipts, invoices, for the purchase (s) on their credit card, must be supplied with the credit card statement prior to being approved by the Administrative Officer or appropriate management official.

The official who approves the statement of each credit card holder is currently the Administrative Officer. The BFD recommends that the approving official be the immediate supervisor of the credit card holder. He/she would be the most knowledgeable individual of the purpose and/or need for any purchase. New and established procedures will be formalized, documented and forwarded to FBIHQ by 10/15/2004.

**\*Regarding recommendations #3, #4, and #5:** BFD will be drafting an "All Employees" communication advising of the information as set forth in this OIG Audit. It is anticipated that this communication will be disseminated to BFD personnel by 10/15/04, and further reiterated during the division's annual All Employee and Special Agent- In-Charge Conferences scheduled for later this year.

OFFICE OF THE INSPECTOR GENERAL  
SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

Recommendation Number:

1. **Resolved.** The FBI agreed to amend its policy for entering property items into the Property Management Application once the Justice Property Management Regulations, which are currently under revision, are finalized. This recommendation can be closed when we receive documentation that the Justice Property Management Regulations have been officially revised and that the FBI's current, or revised, policy meets with the regulations' requirements.
2. **Resolved.** According to the FBI, the Property Procurement and Management Section of the FBI is scheduled to conduct field audits of the credit card program in FY 2005, which will include testing of FD-369 forms and for adequate supporting documentation of charges. This recommendation can be closed when we receive documentation of the results of these field audits as well as documentation that any deficiencies found have been addressed through additional training.
3. **Resolved.** The BFD stated that it has already implemented this recommendation. Further, the BFD stated that it will reiterate this policy in a memorandum to be sent to all employees by October 15, 2004, and at its division-wide conference to be held later this year. This recommendation can be closed when we receive a copy of this BFD policy memorandum.
4. **Resolved.** The BFD stated that it has amended its procedures to require credit card holders to have their FD-369 forms approved by their immediate supervisor before submitting them to the Financial Manager. The BFD also stated that it will formalize this change and provide a copy of its revised procedures to FBI Headquarters by October 15, 2004. This recommendation can be closed when we receive a copy of the BFD's revised procedures.
5. **Resolved.** The BFD suggested that we revise the recommendation to refer to "the Administrative Officer (or other appropriate management official)," as opposed to only the Administrative Officer. We agree with the BFD that the credit card holder's immediate supervisor would be in a better position to assess the appropriateness of the credit card charges. However, we have not amended the recommendation



because FBI policy identifies the Administrative Officer as the Approving Official at field divisions. Therefore, although the Administrative Officer may choose to rely on the immediate supervisors to review the FD-369 forms and supporting documentation against the credit card statements, the Administrative Officer still maintains overall responsibility for reviewing and approving the division's credit card charges. This recommendation can be closed when we receive a copy of the BFD's revised procedures.