

# Department of Homeland Security **Office of Inspector General**

Identification, Reutilization, and Disposal of Excess  
Personal Property by the United States Coast Guard






**OFFICE OF INSPECTOR GENERAL**  
Department of Homeland Security

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DEC 21 2012

MEMORANDUM FOR: Rear Admiral Stephen P. Metruck  
Assistant Commandant for Resources and  
Chief Financial Officer  
United States Coast Guard

FROM: Anne L. Richards   
Assistant Inspector General for Audits

SUBJECT: *Identification, Reutilization, and Disposal of Excess  
Personal Property by the United States Coast Guard*

Attached for your action is our final report, *Identification, Reutilization, and Disposal of Excess Personal Property by the United States Coast Guard*. We incorporated the formal comments from the Assistant Commandant for Resources and Chief Financial Officer in the final report.

The report contains seven recommendations aimed at improving personal property management in the United States Coast Guard. Your office concurred with six of the recommendations and partially concurred with the seventh recommendation. As prescribed by the Department of Homeland Security Directive 077-01, Follow-Up and Resolution for the Office of Inspector General Report Recommendations, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact John E. McCoy II, Deputy Assistant Inspector General for Audits, at (202) 254-4100.

Attachment



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## Abbreviations

APO	Accountable Property Officer
CFR	Code of Federal Regulations
CG-84	Office of Financial Policy and Systems (United States Coast Guard)
CG-844	Property Accountability Division (United States Coast Guard)
DHS	Department of Homeland Security
DOD	Department of Defense
ESD	Electronic Support Detachment
ESU	Electronic Support Unit
FAM	Oracle Fixed Asset Module



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FY	fiscal year
GAO	U. S. Government Accountability Office
GSA	U.S. General Services Administration
OIG	Office of Inspector General
PPMM	<i>Personal Property Management Manual</i>
SFLC	Surface Forces Logistics Center
USCG	United States Coast Guard



## **Executive Summary**

According to the Department of Homeland Security, in fiscal year 2011, the United States Coast Guard (USCG) was responsible for 15 percent of the Department's personal property and, between fiscal years 2008 and 2010, disposed of approximately \$3.3 billion worth of such property. Reutilizing excess personal property maximizes the return on taxpayers' dollars and minimizes expenditures for new procurements. Federal agencies are required to reutilize excess personal property unless doing so causes serious hardship, is impractical, or impairs operations. We conducted an audit to determine if the USCG's policies, procedures, and processes ensure the proper identification and classification of excess personal property, as well as the proper reutilization and disposal of this property.

The USCG did not have adequate policies, procedures, and processes to identify and screen, reutilize, and dispose of excess personal property properly. It did not consistently screen excess personal property for reutilization and did not follow existing policies for disposal, which in some cases were inadequate or contradictory. As a result, the USCG could not ensure that personal property was efficiently reutilized or properly disposed of to prevent unauthorized use or theft.

We made seven recommendations aimed at improving the USCG's processes for personal property management and oversight of excess property identification, screening, reutilization, and disposal. The USCG concurred with six of the recommendations. The USCG partially concurred with our recommendation to develop and implement policies and procedures to account for newly purchased computers that comply with USCG personal property management policies for entry of personal property into the Oracle Fixed Asset Module within 30 calendar days of receipt from the vendor.



## Background

According to the Department of Homeland Security (DHS), in fiscal year (FY) 2011, the USCG was responsible for 15 percent of DHS' personal property and, between FY 2008 and FY 2010, disposed of approximately \$3.3 billion worth of such property.<sup>1</sup> The Code of Federal Regulations (CFR) defines personal property as any Federal property except real property (interest in land, including improvements, structures, and fixtures on it), certain naval vessels, and Federal records.<sup>2</sup> The U.S. General Services Administration (GSA) defines excess personal property as property that is no longer required for an agency's needs. Federal agencies are required to reutilize excess personal property unless doing so causes serious hardship, is impractical, or impairs operations, because reutilization maximizes the return on taxpayers' dollars and minimizes expenditures for new procurements.

Although this audit focused on reutilization and disposal, these actions are an integral part of the overall property management process. The USCG's property management program encompasses many aspects of an asset's life cycle management. The decision to dispose of an asset or reutilize it for other purposes is the final step in an asset's life cycle. The USCG disposes of excess personal property through two channels—GSA and the Department of Defense (DOD) Defense Logistics Agency Disposition Services. At the USCG, the Property Accountability Division (CG-844) is responsible for the overall management of personal property, including managing and overseeing the identification, screening, reutilization, and disposal of excess personal property.

Personal property identified as excess to the needs of a particular USCG unit must be screened for reutilization prior to disposal. Personal property not reutilized by the USCG or DHS may be transferred to another Federal Government agency; donated to certain nonprofit institutions or State or local governments; or sold through GSA. The USCG may also transfer personal property to DOD's Defense Logistics Agency Disposition Services for disposal or sale, or may locally abandon or destroy the property.

The USCG uses the Oracle Fixed Asset Module (FAM) electronic system to account for most of its personal property.<sup>3</sup> USCG policies require that as mandatory accountable personal property is acquired, it be entered into FAM and classified as either capitalized or noncapitalized.<sup>4</sup> Capitalized property has an acquisition cost of \$25,000 if acquired

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<sup>1</sup> Total is inclusive only of personal property captured in Oracle Fixed Asset Module (FAM).

<sup>2</sup> 41 CFR § 102-36.40.

<sup>3</sup> Other systems used by the USCG to account for personal property are the Naval and Electronics Supply Support System, the Aviation Logistics Management Information System, and the Fleet Logistics System.

<sup>4</sup> According to the USCG *Personal Property Management Manual*, mandatory accountable personal property is more than \$2,500 in historic cost, sensitive, or highly pilferable. USCG units may use FAM to account for



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prior to FY 2004 or \$50,000 if acquired in FY 2004 or later. Noncapitalized mandatory accountable personal property generally has an acquisition cost between \$2,500 and these capitalized values. Units must ensure that updates to FAM occur within 30 days of any changes, including disposals, made to the unit's property records. The USCG Finance Center is responsible for removing capitalized personal property from FAM based on documentation provided by the unit.

The USCG's *Personal Property Management Manual* (PPMM) contains policies and procedures to process and dispose of excess personal property. The USCG issued Version 5A of the PPMM in July 1998 and provided one update to this version of the manual in April 1999. The next version, 5B, was issued in August 2010. During our audit, in March 2012, the USCG issued PPMM Version 5C.

Commanding Officers are accountable for the custody, care, preservation, and proper use of all unit property.<sup>5</sup> Unit personnel are assigned to one of three personal property management positions—Accountable Property Officer (APO), Personal Property Administrator, or Property Custodian. Commanding Officers of units with an Operating Facility number designate APOs, ensure that FAM is updated within 30 days of any changes to unit property records, and certify and submit the annual capitalized property report. APOs administer and maintain FAM to ensure unit property accountability, maintain current property records and documentation, and identify and report excess property.

APOs designate Personal Property Administrators who enter and change the status of personal property records in FAM, but do not have the authority to approve disposal of personal property. APOs also designate and train Property Custodians in processes and procedures for personal property management. Property Custodians maintain current custodial records for all personal property in their assigned areas, initiate property accountability and custody-related documents, identify and report excess property to the APO, and assist with physical inventories.

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nonmandatory accountable personal property, but its use is not required. This audit did not include a review of nonmandatory accountable personal property.

<sup>5</sup> Commanding Officers also include personnel designated as Officers-in-Charge or Unit-Level Supervisors.



## Results of Audit

The USCG did not have adequate policies, procedures, and processes to identify and screen, reutilize, and dispose of excess personal property properly. It did not consistently screen excess personal property for reutilization and did not follow existing policies for disposal, which in some cases were inadequate or contradictory. As a result, the USCG could not ensure that personal property was efficiently reutilized or properly disposed of to prevent unauthorized use or theft.

### **USCG's Personal Property Reutilization and Disposal Processes**

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CG-844 did not develop and implement adequate policies, procedures, and processes for reutilization and disposal of excess personal property. The USCG needs to clarify CG-844's oversight authority for personal property management, and review and update all policies and procedures for asset reutilization and disposal. To ensure that excess personal property is effectively managed, CG-844 should:

- Enhance its monitoring and evaluation of USCG units;
- Follow its existing guidance for the demilitarization of certain property;
- Improve its oversight of classified personal property disposals;
- Strengthen its organizational structure; and
- Improve the accuracy and completeness of the USCG's primary personal property data system of record.

According to the U.S. Government Accountability Office (GAO), internal control is a major part of managing an organization and comprises the plans, methods, and procedures used to meet missions, goals, and objectives.<sup>6</sup> The USCG's PPM states, "Responsible property management is the effective control of the acquisition, use, safeguarding, and disposal of any type of property."<sup>7</sup> According to GAO, internal control is the first line of defense to safeguard assets, and prevent and detect errors and fraud.

### **CG-844's Authority and Oversight of Personal Property Management**

CG-844 did not adequately define, communicate, or exercise its authority over personal property management to ensure proper identification, screening, reutilization, and disposal of excess personal property. Although CG-844 was

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<sup>6</sup> *Standards for Internal Control in the Federal Government*, GAO, GAO/AMID 00-21.3.1, November 1999.

<sup>7</sup> *U.S. Coast Guard Personal Property Management Manual*, COMDTINST M4500.5B, August 2010, p 1-1.





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responsible for overall management of all USCG personal property, the office had limited involvement in management of its processes, as well as limited oversight of some USCG programs' personal property.

Property management activities spanned multiple USCG programs, divisions, and field units. USCG programs generally established policies and oversaw the day-to-day management of their personal property. Programs also used these policies to establish criteria for identifying and screening excess personal property and for disposal processes and requirements. For example, the Office of Boat Forces established policy for and managed personal protective equipment (except aviation-related gear). Several other USCG programs also had personal protective equipment and used varying processes to manage it. Based on interviews conducted during our audit, we determined that some units were not tracking or monitoring personal protective equipment, which we brought to the attention of CG-844 officials. Although neither the PPMM nor the Office of Boat Forces' *Rescue and Survival Systems Manual* had disposal guidance for this equipment, the Office of Boat Forces reported plans to include disposal and tracking guidance in an upcoming update of its manual. CG-844 also had limited involvement in the management of buoys and navigational aids managed by the Ocean Engineering Division. CG-844 officials acknowledged that they did not monitor the management of these types of personal property.

USCG officials attribute some of these difficulties to CG-844's insufficient authority to enforce program areas' compliance with property management requirements. CG-844 also did not interact with certain programs to ensure compliance with property management requirements.

CG-844's limited management of personal property posed potential risks of waste, fraud, and abuse and may have contributed to the theft of Government equipment. A USCG civilian employee, arrested in 2011, stole at least 795 pieces of Government property, including computers, monitors, life rafts, and navigational equipment. The USCG attributed the theft to poor disposal monitoring. In response to the arrest, the USCG reported that improvements were made in these areas. However, due to CG-844's limited authority and lack of management oversight over reutilization and disposal of personal property, the USCG continues to be at risk of improper disposal and theft. For example, CG-844 did not oversee the management, reutilization, and disposal of classified personal property (such as computers and servers). Limited testing showed that this property was not consistently entered into a formal system of record as required by DHS and the USCG; and therefore was at increased risk of improper disposal or theft.



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CG-844 also did not ensure that required USCG-wide screening of excess personal property for reutilization was conducted. The USCG delegated the authority to a unit that was not part of CG-844 to manage USCG-wide screening of excess personal property for reutilization, but for more than 3 years, this unit did not appropriately staff or monitor the screening website. USCG officials said that CG-844 did not require documentation or other evidence of the units' mandatory screening of excess personal property prior to its disposal, nor did it have a procedure to monitor and enforce screening for reutilization or disposal.

To identify, screen, reutilize, and dispose of excess personal property effectively and to ensure compliance with policies and procedures, CG-844 should have used its authority to oversee all phases of personal property management. CG-844 could have also improved its overall property management by working with all USCG programs to establish guidance and authority for program personal property not directly under its control.

#### ***The USCG's Personal Property Management Manual***

The USCG's PPMM (Version 5B) did not include all aspects of personal property management, had duplicate guidance, was inconsistent with other USCG policy manuals, and contained inaccuracies. The PPMM did not include criteria for identifying excess personal property or information on identifying and disposing of certain categories of personal property such as classified property, navigational aids, and personal protective equipment. A significant amount of content was duplicative. For example, although chapter 8 covered personal property disposal procedures, these procedures were repeated throughout the manual for certain types of property. Some information in the PPMM was inconsistent with that of other USCG program policy manuals. Disposal procedures for excess or expired controlled substances were different from the procedures issued by the USCG program office with oversight responsibility. The PPMM also included a number of errors in referenced enclosures. As a result, USCG personnel could not rely on the PPMM to comply with personal property management requirements to identify, screen, reutilize, and dispose of excess personal property.

#### **CG-844 Oversight and Involvement in Units' Personal Property Reutilization and Disposal Management**

CG-844 provided limited oversight of certain personal property management tasks, including reutilization and disposal, at USCG units and did not ensure that the units properly performed these tasks. For example, CG-844 did not ensure that units provided accurate USCG and DHS-required property-related reports. We reviewed the USCG's required *Annual Report of Lost, Damaged, or Stolen Property* to DHS.



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To compile this report, CG-844 relies on individual units to report lost, damaged, and destroyed personal property. In FY 2008 and FY 2009, the USCG reported 765 personal property items as lost, damaged, or destroyed. For the same period, FAM disposal data showed 8,146 “lost” items, which the USCG did not include in the report to DHS. Other than an incomplete FY 2010 spreadsheet, CG-844 could not provide the methodology used to ensure units’ compliance with year-end personal property reporting.

CG-844 did not ensure that units performed required periodic evaluations of their property management performance and effectiveness. Although CG-844 was responsible for USCG-wide personal property program management, it ceased conducting property management program visits at units. USCG officials reported that these visits were replaced by other USCG inspection efforts, but CG-844 did not coordinate with these inspection efforts nor did it use the inspection results to improve units’ personal property management, including reutilization and disposal.

Without regular evaluations, CG-844 had no basis to assess USCG personal property management, including reutilization and disposal efforts. As a result, the USCG could not identify best practices to implement or identify deficient program areas. By coordinating evaluations and inspections and leveraging their results, the USCG would have been in a better position to improve key aspects of personal property management.

### **Personal Property Demilitarization**

The USCG did not implement processes to ensure that all personal property requiring demilitarization or commerce trade controls was disposed of in accordance with appropriate laws. As a result, there was a risk that individuals, entities, and countries with interests adverse to the United States could illegally acquire such property.

Federal agencies must dispose of excess personal property included on *The United States Munitions List*<sup>8</sup> or *The Commerce Control List* according to requirements in *Federal Property Management Regulations* (41 CFR Part 101-42).<sup>9</sup> DOD oversees the Federal Government’s demilitarization program; the Department of Commerce

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<sup>8</sup> Commodities on *The United States Munitions List* (22 CFR Part 121) are usually defense-related articles or services included in the *International Traffic in Arms Regulations* (22 CFR Parts 120-130) published by the U.S. Department of State.

<sup>9</sup> Dual-use (commercial or military) items on *The Commerce Control List* are subject to export control by the Bureau of Export Administration in the Department of Commerce.



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oversees items on *The Commerce Control List*. The USCG defines demilitarization as the act of destroying the military offensive advantages inherent in certain types of equipment or material to prevent the further use of this equipment and material for its originally intended military or lethal purpose. According to DOD, demilitarization prevents the release of inherent design information that could be used against the United States.

The USCG participated in DOD's Demilitarization Working Group, but it did not implement DOD-required processes to ensure proper lifecycle management and disposal of personal property requiring demilitarization. In addition, the USCG did not train personnel who oversaw, managed, or disposed of this type of personal property. Although the PPMM included these demilitarization training requirements, the USCG had only three personnel certified in demilitarization, all of whom were located at USCG Headquarters. As a result, the USCG was at risk of improperly disposing of property requiring demilitarization or commerce trade controls.

#### **Classified Personal Property Disposal**

CG-844 did not adequately oversee the disposal of classified personal property. The USCG did not centrally manage classified personal property to ensure that it accounted for and properly disposed of such property. Specifically, the USCG did not consistently track classified equipment such as computers, hard drives, and printers in a formal system of record, nor did it have an overarching policy for the disposal of classified personal property. As a result, there was a risk that classified information could be released to unauthorized personnel.

CG-844 had limited interaction with the Office of Intelligence and Criminal Investigations and the Office of Command, Control, Communications, Computers and Information Technology, which provided oversight and managed classified personal property and its disposal for the USCG. For more than 6 months, USCG officials were unable to fulfill our request to identify and provide the names of appropriate contacts for the management and disposal of classified personal property. According to USCG officials, there were no component-wide requirements for disposal of classified property; rather, individual units determined disposal methods.

DHS and the USCG require personal property used to process and store classified information to be accounted for in a formal system of record. However, our limited testing showed inconsistent use of FAM to maintain accountability for classified personal property. At USCG headquarters and some units, classified personal property was sometimes tracked in FAM as required, but in other cases,



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it was tracked using local spreadsheets. Neither USCG headquarters nor unit officials could explain why all classified property was not included in FAM. CG-844 officials had no insight into this issue because they did not oversee the management of classified personal property.

#### **CG-844 Organizational Structure**

The USCG did not conduct a formal organizational assessment to justify the current property management structure; did not identify and define property management requirements; and did not analyze the knowledge, skills, and abilities needed to perform these jobs. The USCG reported that it was collecting information from CG-844 staff to understand current workloads, including timeframes for completing tasks, major deadlines, and recurrent activities.

CG-844 was not organized to manage personal property adequately, including its reutilization and disposal. Although the USCG made efforts to reorganize and focus on the financial aspects of property management, it did not focus on personal property management, including reutilization and disposal.

CG-844's current seven-person organization focused primarily on the financial aspects of personal property management. Four of six personal property management positions were financially focused:<sup>10</sup>

- Property Accountability Division Chief
- Personal Property Program Manager
- Financial Analyst
- Logistics Program Liaison

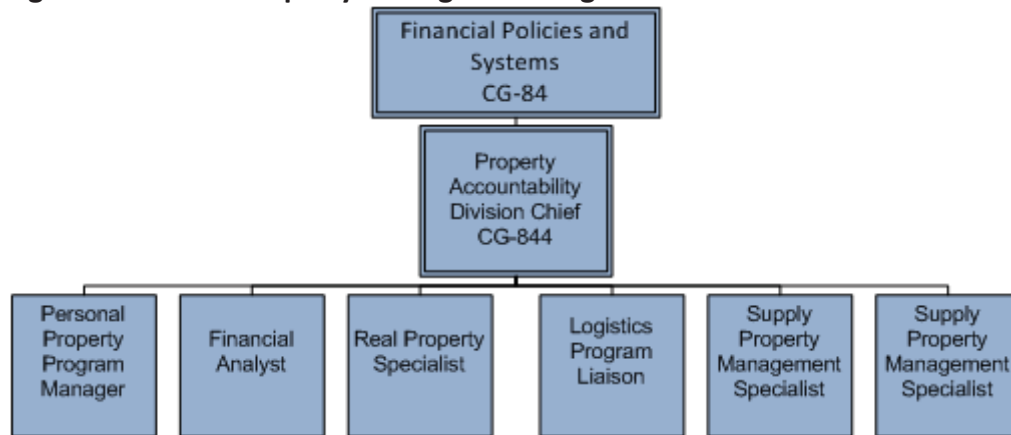
Figure 1 shows the organizational structure of CG-844.

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<sup>10</sup> CG-844 provided position descriptions for all positions except the Logistics Program Liaison. A USCG official described the Logistics Program Liaison's duties.



**Figure 1: CG-844 Property Management Organizational Structure**



Source: USCG.

The two Supply Property Management Specialists shared the same position description, which was primarily to act as the USCG Manager for Decommissioned Cutters and Boats. However, a USCG official said that only one of the specialists worked in this capacity. The other specialist served on the DOD Demilitarization Working Group, managed CG-844’s intranet site, and oversaw CG-844’s year-end reporting. The USCG said that the procedures used by the Supply Property Management Specialists were not documented. The USCG relied on their experience and knowledge to perform these functions. Without documenting these procedures, the USCG risked losing the ability to perform these key functions if one or both of the specialists left their positions.

### **Oracle Fixed Asset Module**

Personal property disposal data was not reported accurately and completely in FAM. CG-844 was responsible for managing FAM to support USCG personal property management. However, CG-844 did not ensure that the system’s data was accurate and complete. Thus, the USCG could not be certain that it appropriately accounted for and disposed of excess personal property.

The USCG provided limited guidance on entering data into FAM, and as a result, data entry was not consistent. The USCG could not provide a FAM data dictionary for selection and use of property retirement categories. Furthermore, the PPMM did not provide guidance on selecting FAM retirement categories or which forms to use. Although USCG officials could not define or explain the appropriate use of “Extraordinary” as a retirement category, the category was used 2,210 times in FAM from FY 2008 through FY 2010. Personal property in the retirement category “Lost” was defined as lost, missing, or stolen. During our data analysis, we noted units using this category to administratively dispose of items in FAM that had



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actually been disposed of years earlier without proper documentation and remained on the units' property reports. For example, according to the USCG Finance Center records, an obsolete switchboard removed in 2002 was categorized as "lost" and removed from FAM in 2010. Our review of FAM data also showed the USCG used the incorrect types of forms to record disposals. For example, a form to be used for real property was incorrectly used for 17,175 personal property disposals in our sample.

### **Recommendations**

We recommend that the Assistant Commandant for Resources and Chief Financial Officer:

#### **Recommendation #1:**

Define and clarify CG-844's authorities and responsibilities over the reutilization and disposal processes for the USCG at the Executive Management Council Internal Controls Audit Readiness Board.

#### **Recommendation #2:**

Clarify topic areas to prevent conflict between United States Coast Guard policies and procedures in future revisions of the *Personal Property Management Manual* and ensure that the manual reflects the actual processes and procedures various programs use to identify, screen, record, reutilize, and dispose of excess personal property. Future revisions should also include detailed instructions for entering disposal data into the Oracle Fixed Asset Module.

#### **Recommendation #3:**

Develop and implement a demilitarization program, in coordination with the Department of Defense Demilitarization Office, that includes training and certification for United States Coast Guard personnel who manage, oversee, or process personal property from acquisition to disposal.

#### **Recommendation #4:**

Develop and implement a process to enter and track all classified personal property in the Oracle Fixed Asset Module. Develop and implement standardized policies and procedures to ensure accountability, monitoring, and oversight of disposal of classified personal property components (e.g., hard drives and printer cartridges).



**Recommendation #5:**

Conduct a formal organizational review of the current property management structure to assess, identify, and define property management resource requirements and to analyze the knowledge, skills, and abilities needed to perform these jobs. Ensure that asset reutilization and disposal oversight responsibilities are clearly defined in relevant position descriptions.

**Management Comments and OIG Analysis**

The USCG provided comments on the draft of this report. A copy of the response in its entirety is included in appendix B.

**Management Comments to Recommendation #1**

**Concur.** The USCG agrees that CG-844's authorities and responsibilities need to be reviewed and subsequently clarified. In conjunction with the assessment of the CG-844 organizational structure (see Recommendation #5), the USCG will redefine CG-844's functional responsibilities over personal property reutilization and disposal processes. The results of this review will be presented to the Executive Management Council Internal Controls Audit Readiness Board.

**OIG Analysis**

We consider the planned actions by the USCG to be responsive to the recommendation. However, the recommendation will remain unresolved until we receive a timeline for the assessment. The recommendation will remain open until we receive and review the results of the assessment, including its implementation once approved by the Executive Management Council Internal Controls Audit Readiness Board.

**Management Comments to Recommendation #2**

**Concur.** The USCG is developing a revised PPMM. In addition, the Property Accountability Division (CG-844) will augment the revised PPMM with Tactics, Techniques, and Procedures. This guidance will further clarify procedures for managing personal property and document each item throughout the stages of its life cycle. The target audience of the Tactics, Techniques, and Procedures is Accountable Property Officers, Property Administrators, and Property Custodians.





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#### **OIG Analysis**

We consider the planned action by the USCG to be responsive to the recommendation. However, the recommendation will remain unresolved until we receive a timeline for the revision to the PPMM and its Tactics, Techniques and Procedures. The recommendation will remain open until we receive and review a copy of the revised PPMM and its Tactics, Techniques and Procedures.

#### **Management Comments to Recommendation #3**

**Concur.** The current PPMM addresses demilitarization by requiring demilitarization of “property which has lethal characteristics, or is dangerous to public health and safety,” and utilizes the Defense Demilitarization Program Course for certification and training requirements. The USCG will develop new procedures to identify assets subject to demilitarization and to provide assurance that the act of demilitarization was conducted prior to disposal of these assets.

#### **OIG Analysis**

We consider the planned actions by the USCG to be responsive to the recommendation but it will remain unresolved until a timeline is provided for the development and implementation of the new procedures. The recommendation will remain open until the USCG provides evidence that it has coordinated with the Department of Defense Demilitarization Office to ensure that the USCG’s planned actions comply with all training, certification, and demilitarization requirements, and we receive a copy of the new procedures for review.

#### **Management Comments to Recommendation #4**

**Concur.** While the USCG recognizes that its policy requires that classified property shall be tracked in Oracle Fixed Assets, it acknowledges the shortcomings with unit compliance and will take actions to address the shortcomings.

#### **OIG Analysis**

We consider the planned action by the USCG to be responsive to the recommendation. However, the recommendation will remain open and unresolved until the USCG provides a specific plan of action, an implementation timeline, and evidence of implementation that addresses the shortcomings in unit compliance with the PPMM for classified personal property.



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#### **Management Comments to Recommendation #5**

**Concur.** A formal organizational review and assessment of the property management structure will be conducted to address the control environment necessary to provide assurance that policy and procedures are followed. This assessment will identify the resources needed to address the current limitations in carrying out property management and oversight duties, as well as determine the appropriate knowledge, skills, and abilities for these positions.

#### **OIG Analysis**

We consider the ongoing action taken by the USCG to be responsive to the recommendation. However, the recommendation will remain unresolved until we receive a timeline for the assessment. The recommendation will remain open until we receive and review a copy of the assessment.

#### **Screening and Disposal of Excess Personal Property**

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The USCG sites we visited generally had inadequate internal controls to identify, screen, reutilize, and dispose of excess personal property. Some sites did not screen excess personal property for possible reutilization as required, did not consistently follow procedures for disposal of excess personal property, and did not properly support disposal actions or retain auditable documentation. Inconsistent screening of excess personal property may mean the property was not being fully reutilized.

USCG guidance required each USCG unit to maintain an effective property accountability and control system that included referring usable excess personal property to other activities to promote its continued use and disposing of excess personal property. In particular, units were to screen excess property for reutilization, as well as monitor and communicate information on property-related activities. Appendix C contains an overview of the USCG's excess personal property disposal process.

From FY 2008 through FY 2010, 51 percent of our capitalized property sample and 74 percent of the noncapitalized sample of excess personal property were either not disposed according to PPMM procedures or had incomplete records that prevented us from determining if the disposal was correct. In some cases, units incorrectly prepared paperwork for disposal of excess personal property. Based on our review of this paperwork, it is unclear whether the personal property was disposed of according to the PPMM.



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Documentation supporting capitalized personal property disposal was also inaccurate and incomplete. Units used incorrect categories and forms to document disposal. For example, documentation for destruction of a boat showed two different hull numbers. We were not able to determine if there were two boats, which boat was destroyed, or whether the second boat was erroneously recorded as disposed of in FAM. Additionally, it took the USCG almost 6 years to change the boat's status to "disposed" in FAM, and we found no evidence in the records that the USCG was aware of the potential issue. Further, one unit used the undefined category of "Extraordinary" to dispose of at least 900 noncapitalized personal property items that had been missing from the unit for at least 5 years.

Disposal records for noncapitalized firearms, which were entered and tracked in a United States Navy system of record, were incomplete or inaccurate. Of the 316 records of noncapitalized firearms disposals we reviewed, 264 were disposed of correctly through Defense Logistics Agency Disposition Services using a DD-1348-1A form. However, none of the 264 forms included the required PPMM demilitarization code. According to USCG records, the remaining 52 noncapitalized firearms were disposed of by other acceptable methods, including transfers to other Federal Government agencies. The disposal of 92 percent of the noncapitalized firearms followed the correct procedures. However, we could not determine if the remaining 8 percent followed the correct procedures because of missing transfer documents or forms that contained errors.

Samples of USCG capitalized and noncapitalized excess personal property and noncapitalized firearms disposed of between FY 2008 and FY 2010 showed incorrect disposal processes, inaccurate forms, or discrepancies between disposal records and FAM data. Table 1 shows the results of our testing.



**Table 1: Consolidated Results of Testing of Samples of Excess Personal Property Disposal Data, FY 2008–FY 2010**

Personal Property Tested	Forms Correctly Completed	Disposal Process Complied With PPM* <sup>*</sup>	Disposal Records Matched FAM Information	Testing Type
Capitalized	0%	49%	6%	Statistical <sup>11</sup>
Noncapitalized	0%	26%	42%	Judgmental
Noncapitalized Firearms	0%	92%	N/A <sup>**</sup>	Statistical

Source: USCG FAM and DHS OIG.

\*Disposal process complied with PPM policies and procedures and disposal documentation was correct. The remaining property either did not comply with PPM processes, or incomplete records made it indeterminable whether it complied with other processes.

\*\*Firearms were accounted for in a United States Navy system of record.

The PPM required that excess personal property be removed from unit property records in FAM within 30 days of disposal. Sampled units did not always comply with this policy. For example, a small boat, disposed of in 2001, was not removed from the unit’s property records in FAM until 2010; and capitalized navigational equipment, which according to the unit was likely physically removed in 1987, was not removed from that unit’s records in FAM until 2010. The USCG Finance Center was to remove capitalized personal property from unit property lists and units were to remove noncapitalized personal property from unit property lists in FAM. Our review of unit and USCG Finance Center disposal records showed that many items might have been disposed of without proper documentation.

**Personal Property Management Training**

The USCG did not adequately train its personnel in personal property management, including reutilization and disposal processes. Without training, the USCG could not ensure that its personnel possessed the knowledge and skills to properly identify, screen for reutilization, and dispose of excess personal property. In response to performance concerns, the USCG commissioned a study to identify and remediate skill and knowledge gaps. The analysis identified specific training improvement opportunities and recommended solutions to improve the performance of APOs, Personal Property Administrators, and Property Custodians. However, USCG officials said that the Office of Financial Policy and Systems (CG-84) did not address the findings or implement the recommendations to improve training.

<sup>11</sup> Please refer to appendix A for details of the sampling conducted.



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Although the PPMM did not require Commanding Officers and APOs to be trained in personal property management, it did state that those who manage Government property shall be competent and proficient in property management and accountability, with working knowledge of fields such as physical security, environmental protection, and demilitarization. In addition, APOs were to train Property Custodians in personal property management. However, APOs, Personal Property Administrators, and Property Custodians were not required to have experience or training before assuming their responsibilities.

Some APOs at units we visited said that they had received on-the-job training, but none had received formal training in managing personal property. APOs and Property Custodians at these units said that they were either trained using unit-prepared tools and guides or were not trained at all. We interviewed personnel at 30 sites we visited, and they expressed concerns about the need for adequate personal property management training.<sup>12</sup> For example, personnel at 22 of 25 sites noted that Property Custodians were not trained in identifying and disposing of excess personal property. Personnel at 21 of the 24 sites reported that an appropriate training program for Property Custodians did not exist. At 23 sites, there were no opportunities for continued training, nor was there a procedure to ensure that all personnel received appropriate training. Five of the 30 sites attempted to fill this training gap by creating their own training tools, guides, and presentations.

Although the PPMM stated that APOs should be trained on FAM, USCG officials said that they did not require APOs to complete computer-based FAM training. During calendar years 2008 through 2010, only 147 USCG personnel passed the training module test.

The initial training school for Storekeepers, who at some units are considered property management subject matter experts, did not include content on FAM, disposal of sensitive materials, or identification of excess personal property.<sup>13</sup> Storekeepers initially attended a 7-week school or completed an on-the-job training syllabus. The school curriculum included minimal training on reutilization and disposal, but it did not include training on FAM; on identifying excess personal property; and on disposal of hazardous, classified, demilitarized, or other sensitive property.

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<sup>12</sup> Some sites did not respond to all questions.

<sup>13</sup> Storekeepers are enlisted members of the USCG whose duties include keeping inventory; preparing requisitions; handling logistical functions, including those related to USCG accounting; and preparing financial reports.



## **Recommendation**

We recommend that the Assistant Commandant for Resources and Chief Financial Officer:

### **Recommendation #6:**

Develop and implement a comprehensive training program, to include reutilization and disposal, for property managers, tailored to each level of personal property management responsibility. The training should include Commanding Officers, Accountable Property Officers, Personal Property Administrators, and Property Custodians and mandatory training for Oracle Fixed Asset Module users before granting future access.

### **Management Comments and OIG Analysis**

The USCG provided comments on the draft of this report. A copy of the response in its entirety is included in appendix B.

### **Management Comments to Recommendation #6**

**Concur.** The USCG recognizes that training is an essential component of a successful property management program. The USCG conducted a front-end analysis and will utilize the results to develop specific training modules for Commanding Officers, Accountable Property Officers, Property Administrators, and Property Custodians. The USCG will also reinstitute Oracle Fixed Asset Module training prior to granting access. Formalized training requirements will be promulgated in future PPMM updates.

### **OIG Analysis**

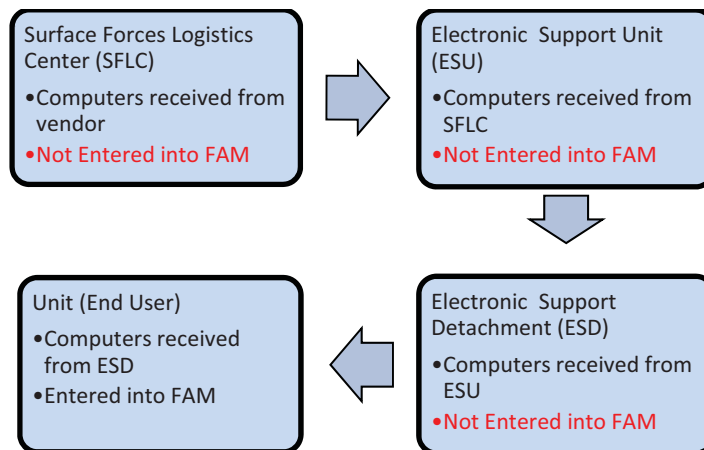
We consider the planned actions by the USCG to be responsive to the recommendation. The recommendation will remain unresolved until the USCG provides an implementation timeline. The recommendation will remain open until the USCG provides documentation of the specific training modules as discussed above, provides the policy for Oracle Fixed Asset Module training prior to granting access, and provides evidence that formalized training requirements have been incorporated into the PPMM.



**Other Matter: Accountability of Newly Purchased Computers**

DHS and the PPMM defined computers as sensitive personal property requiring a high degree of control and accounting in a formal system of record. However, the USCG did not account for newly purchased computers until their delivery to end users. According to USCG officials, computers that were delivered from the vendor to the Surface Forces Logistics Center (SFLC) warehouse for dissemination throughout the USCG were not individually inventoried upon receipt, but remained on pallets. Figure 2 shows the delivery and accountability process for newly purchased computers as described by USCG officials.

**Figure 2. Newly Purchased Computer Distribution**



Source: OIG analysis based on USCG interviews.

The USCG did not complete an inventory to ensure that it had received the computers as ordered from the vendor. According to USCG officials, the Electronic Support Unit might have removed computers from pallets to add software, but did not enter the computers into FAM. When the computers arrived at USCG units, unit personnel entered them into FAM. The poor accountability and safeguarding during this process made new computers susceptible to theft.

USCG officials acknowledged that not tracking computers in FAM between initial receipt and delivery to field units was an issue, and they planned to improve the process to remove this vulnerability.

**Recommendation**

We recommend that the Assistant Commandant for Resources and Chief Financial Officer:



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#### **Recommendation #7:**

Develop and implement policies and procedures to account for newly purchased computers that comply with the U.S. Coast Guard's *Personal Property Management Manual* requirement for entry of personal property into the Oracle Fixed Asset Module within 30 calendar days of receipt from the vendor.

#### **Management Comments and OIG Analysis**

The USCG provided comments on the draft of this report. A copy of the response in its entirety is included in appendix B.

#### **Management Comments to Recommendation #7**

**Partially Concur.** SFLC is an Inventory Control Point that manages its inventory within the Naval Electronics Supply Support System in accordance with the *Financial Resource Management Manual*, COMDTINST M7100.4 and the *Uniform Supply Operations Manual*, COMDTINST M4121.4.

SFLC receipts and accounts for new computers in the same manner as all other wholesale inventory stocked at the Inventory Control Point. However, new computers are classified as a controlled item. Inventory that is classified as controlled is identified as such in the Naval Electronics Supply Support System, stored in a secure warehouse, and inventoried at least annually. However, the Naval Electronics Supply Support System does not have the capability to track and account for inventory by serialization as recommended by DHS OIG. Addition of this capability could result in substantial cost to the USCG.

SFLC will continue to manage new computers inducted into the Inventory Control Point in accordance with current policy until Naval Electronics Supply Support System serialization tracking is available or changes to existing policy occur.

#### **OIG Analysis**

We do not consider the ongoing action taken by the USCG to be responsive to the recommendation. The recommendation will remain unresolved and open until the USCG provides documentation that it has aligned its accountability process for newly purchased computers with its PPMM policies for personal property.

The USCG response says that newly purchased computers are receipted and accounted for at SFLC in the same manner as wholesale inventory. Inventory is





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accounted for, according to the USCG response, in the Naval Electronics Supply Support System and cannot be tracked by serial number. However, the USCG does not define computers as inventory but rather as personal property.<sup>14</sup> According to the USCG, computers are further classified as general purpose personal property. The PPMM stipulates that USCG general purpose personal property be accounted for in the Oracle Fixed Asset Module, which tracks property by serial number. Based on the USCG's policies, newly purchased computers are not defined as inventory and must be tracked in the USCG's Oracle Fixed Asset Module, not the Naval Electronics Supply Support System.

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<sup>14</sup> The USCG's PPMM defines inventory as tangible personal property that is (1) held for sale, (2) in the process of production for sale, or (3) to be consumed in the production of goods for sale or in the provision of services for a fee. The USCG's PPMM defines personal property as all expendable and non-expendable, tangible assets including vessels, boats, vehicles (including trailers), major electronics systems, stand-alone electronics, electronic test equipment, general purpose equipment, small arms, weapons systems, computers, Aids to Navigation (ATON) equipment, buoys, personal protective equipment, artwork, models, and artifacts.



## **Appendix A**

### **Objective, Scope, and Methodology**

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

This report provides the results of our work to determine whether the USCG had adequate policies, procedures, and processes to identify, reutilize, and dispose of excess personal property from FY 2008 through FY 2010.

We analyzed the USCG's personal property management structure, policies, and procedures that included reutilization and disposal of personal property. We evaluated internal control practices CG-844 established and implemented at the program level, as well as those established and implemented at visited USCG units. We did not seek to determine the USCG's compliance with GAO *Standards for Internal Control in the Federal Government*, but rather the existence of internal controls relative to personal property management. To that end, using the GAO's framework as a guide, we focused primarily on the internal controls CG-844 codified in the PPM.

We tested the accuracy, completeness, and correctness of the USCG's personal property disposal process for capitalized and noncapitalized personal property and noncapitalized firearms from FY 2008 through FY 2010. We also analyzed documentation collected during our site visits. For capitalized personal property, we conducted a statistical sample of boats and electronics disposals from FY 2008 through FY 2010 using a 95 percent confidence interval and a 5 percent sampling error and sampled 100 percent of the vessels and aircraft disposed of during the same period. For noncapitalized firearms, we conducted statistical sampling of FY 2008 through FY 2010 disposals using a 95 percent confidence interval and a 5 percent sampling error. Samples were drawn from these populations using IDEA software. Owing to time limitations, we took a judgmental sample from USCG-wide noncapitalized personal property disposals. Sampling populations are listed in table 2.



**Table 2: Sampling Populations and Sample Sizes**

Category	Population	Sample Size	Type of Sample
Capitalized Aircraft	8	8	100%
Capitalized Boats	302	169	Statistical
Capitalized Electronics	215	138	Statistical
Capitalized Vessels	2	2	100%
Noncapitalized Firearms	1,777	316	Statistical
Noncapitalized General Personal Property	166,148	72	Judgmental

Source: OIG.

We visited the following USCG units:

- Aviation Logistics Center – Elizabeth City, NC
- Shore Infrastructure Logistics Center – Norfolk, VA
- Surface Forces Logistics Center – Baltimore, MD
- Training Center Petaluma – Petaluma, CA
- USCG Finance Center – Chesapeake, VA
- USCG Headquarters – Washington, DC

Additionally, we conducted multiple site visits at the following locations:

- Alameda, CA
- Baltimore, MD
- Chesapeake, VA
- Elizabeth City, NC
- Portsmouth, VA
- San Francisco, CA

We assessed compliance with Federal, DHS, and USCG policies, procedures, and internal controls for identifying, reutilizing, and disposing of excess personal property, including—

- DHS Management Directives
- *Defense Demilitarization Manual*
- *Federal Management Regulation*
- *U.S. Coast Guard Personal Property Management Manual (COMDTINST M4500.5A and 5B)*

We conducted this performance audit between August 2011 and March 2012 pursuant to the *Inspector General Act of 1978*, as amended, and according to generally accepted government auditing standards. Those standards require that we plan and perform the



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audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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**Appendix B**  
**Management Comments to the Draft Report**



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United States Coast Guard

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7501

*NOV - 8 2012*

**MEMORANDUM**

From: *AP Metruck*  
RDML S. P. Metruck  
COMDT (CG-8)

Reply to: Audit Manager  
Attn of: Mark Kulwicki  
(202) 372-3533

To: Anne L. Richards  
Assistant Inspector General for Audits  
Department of Homeland Security (DHS)

Subj: DHS OIG DRAFT REPORT: "IDENTIFICATION, REUTILIZATION, AND  
DISPOSAL OF EXCESS PERSONAL PROPERTY BY THE UNITED STATES  
COAST GUARD"

Ref: (a) OIG Project No. 11-052-AUD-USCG, dated September 18, 2012

1. This memorandum transmits the Coast Guard's response to the findings and recommendations identified in reference (a).
2. The Coast Guard concurs with the report's recommendations.
3. If you have any questions, my point of contact is Mr. Mark Kulwicki who can be reached at 202-372-3533.

#

Enclosure: (1) USCG Response



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Department of Homeland Security

**UNITED STATES COAST GUARD RESPONSE FOR DHS OIG DRAFT REPORT:  
IDENTIFICATION, REUTILIZATION, AND DISPOSAL OF EXCESS PERSONAL  
PROPERTY BY THE UNITED STATES COAST GUARD, (11-052-AUD-USCG)**

**RECOMMENDATIONS AND USCG RESPONSES**

**Recommendation #1:** Define and clarify CG-844's authorities and responsibilities over the reutilization and disposal processes for the USCG at the Executive Management Council Internal Controls Audit Readiness Board

**USCG response:** Concur. The Coast Guard agrees that a review of CG-844's authorities and responsibilities needs to be conducted and subsequently clarified. In conjunction with the assessment of the CG-844 organizational structure (see Recommendation #5), the Coast Guard will re-define CG-844's functional responsibilities over the reutilization and disposal processes for personal property. The results of this review will be presented to the Executive Management Council Internal Controls Audit Readiness Board.

**Recommendation #2:** Clarify topic areas to prevent conflict between United States Coast Guard policies and procedures in future revisions of the Personal Property Management Manual (PPHM) and ensure that the manual reflects the actual processes and procedures various programs use to identify, screen, record, reutilize and dispose of excess for entering disposal data into the Oracle Fixed Asset Module

**USCG response:** Concur. The Coast Guard is developing a revised PPMM. In addition, the Property Accountability Division (CG-844) will augment the revised PPMM with Tactics, Techniques, and Procedures (TTP). This guidance will further clarify procedures for managing personal property and document each item throughout the stages of its life-cycle. The target audience of the TTP is Accountable Property Officers, Property Administrators, and Property Custodians.

**Recommendation #3:** Develop and implement a demilitarization program, in coordination with the Department of Defense Demilitarization Office that includes training and certification for United States Coast Guard personnel who manage, oversee or process personal property from acquisition to disposal.

**USCG response:** Concur. The current PPMM addresses demilitarization by requiring demilitarization of "property which has lethal characteristics, or is dangerous to public health and safety," and utilizes the Defense Demilitarization Program Course for certification and training requirements. The Coast Guard will develop new procedures to identify assets subject to demilitarization and to provide assurance that the act of demilitarization was conducted prior to disposal of these types of assets.

**Recommendation #4:** Develop and implement a process to enter and track all classified personal property in the Oracle Fixed Asset Module (FAM). Develop and implement standardized policies and procedures to ensure accountability, monitoring, and oversight of disposal of classified personal property components (e.g., hard drives and printer cartridges).

ENCLOSURE (1)



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**USCG response:** Concur. While the Coast Guard recognizes that classified property shall be tracked in Oracle Fixed Assets, and policy requires it, we acknowledge the shortcomings with unit compliance and will take action to address the shortcomings.

**Recommendation #5:** Conduct a formal organizational review of the current property management structure to assess, identify, and define property management resource requirements and to analyze the knowledge, skills, and abilities needed to perform these jobs. Ensure that asset reutilization and disposal oversight responsibilities are clearly defined in relevant position descriptions

**USCG response:** Concur. A formal organizational review of the property management structure will be assessed to address the control environment necessary in order to provide assurance that policy and procedures are followed. This assessment will identify the resources needed to address the current limitations in carrying out property management and oversight duties, as well as determine the appropriate knowledge, skills, and abilities for these positions.

**Recommendation #6:** Develop and implement a comprehensive training program, to include reutilization and disposal for property managers, tailored to each level of personal property management responsibility. The training should include Commanding Officers, Accountable Property Officers, Personal Property Administrators, and Property Custodians and mandatory training for Oracle Fixed Asset Module users before granting future access.

**USCG response:** Concur: The Coast Guard recognizes training is an essential component of a successful property management program. The Coast Guard has conducted a front-end analysis and will utilize the results to develop specific training modules for Commanding Officers, Accountable Property Officers, Property Administrators, and Property Custodians. The Coast Guard will also re-institute Oracle Fixed Asset Module training prior to granting access. Formalization of the training requirements will be promulgated in future updates to the PPMM.

**Recommendation #7:** Develop and implement policies and procedures to account for newly purchased computers that comply with the U.S. Coast Guard's Personal Property Management Manual requirement for entry of personal property into the Oracle Fixed Asset Module within 30 calendar days of receipt from the vendor.

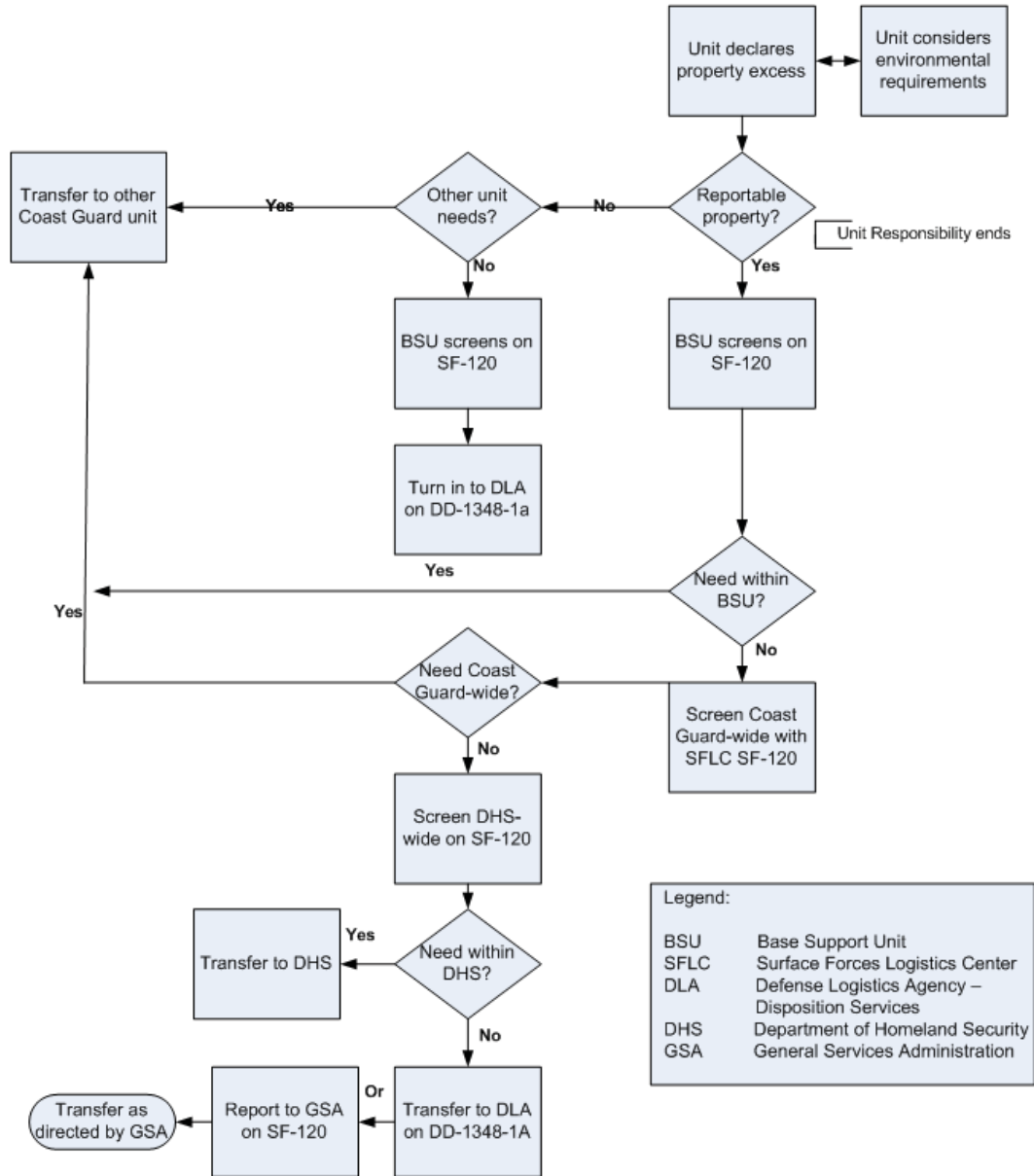
**USCG response:** Concur in part: The Surface Forces Logistics Center (SFLC) is an Inventory Control Point (ICP) that manages its inventory within the Naval Electronics Supply Support System (NESSS) in accordance with Financial Resource Management Manual, COMDTINST M7100.4 and the Uniform Supply Operations Manual, COMDTINST M4121.4.

SFLC receipts and accounts for new computers in the same manner as all other wholesale inventory stocked at the ICP. However, new computers are classified as a controlled item. Inventory that is classified as controlled is identified in NESSS as such, and stored in a secure warehouse and inventoried at least annually. However, NESSS does not have the capability to track and account for inventory by serialization as recommended by DHS OIG. Addition of this capability could result in substantial cost to the Coast Guard.

SFLC will continue to manage new computers inducted into the ICP in accordance with current policy until NESSS serialization tracking is available or changes to existing policy occur.



## Appendix C Personal Property Disposal Process



Source: USCG PPM.





## **Appendix D**

### **Major Contributors to This Report**

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## **Appendix E**

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Assistant Secretary for Office of Legislative Affairs  
Acting Chief Privacy Officer  
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#### **Office of Management and Budget**

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DHS OIG Budget Examiner

#### **Congress**

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