



U.S. COMMODITY FUTURES TRADING COMMISSION

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Office of the
Inspector General

MEMORANDUM

TO: Gary Gensler
Chairman

FROM: A. Roy Lavik
Inspector General *ARL*

DATE: May 25, 2010

SUBJECT: Inspection Of CFTC's Disposal Of
Surplus Information Technology Equipment

Executive Summary

The Office of the Inspector General(OIG) conducted an inspection of the CFTC's Disposal of Surplus Information Technology Equipment. The OIG found that

- We were able to account for 1184 items or 99% of the selected sample of surplus Information Technology assets.
- One regional office was able to supply documentary evidence that 88 out of 88 surplus Information Technology assets that contain a data storage device were wiped clean ("sanitized") prior to its shipment to General Services Administration. However for other Information Technology assets containing a data storage device, located in three other offices, we found that the CFTC had no available record to confirm that those surplus assets were sanitized by agency employees as required by CFTC disposal policy.

Recommendation

- The Office of Information Technology Services Asset Manager should confirm, document, and retain evidence that Information Technology assets which contain a data storage device were sanitized prior to shipment to General Services Administration or any outside party.

Management Response

- Management has reviewed and accepted this recommendation

Attached is the full report.

Background

In Fiscal Year 2009¹ the Commodity Futures Trading Commission(CFTC) initiated a technology refresh² of all Information Technology(IT) equipment provided to employees.³ Consequently, the replaced equipment, e.g. personal computers⁴, computer monitors, and other electronic equipment became surplus equipment. Once an agency declares personal property to be in excess of their need the property is transferred to the General Services Administration(GSA) which then follows established guidelines stated in the Federal Management Regulation (FMR)⁵ for disposing surplus equipment. Alternatively, Executive Order 12999⁶ permits an agency to donate excess electronic equipment directly to needy schools, which the agency elected to do for IT assets in the New York, Chicago, and Kansas City offices.

In December 2009, this Office received an anonymous allegation of improper disposal of surplus IT equipment. The allegation did not name any CFTC employees involved in the alleged improper disposal. Because the allegation was vague, and because the source could not be contacted for more information, we decided it would be most appropriate to conduct this inspection.

Objectives

- One objective was to examine agency records and verify that the agency had properly accounted for and disposed selected surplus equipment related to the information technology refresh.
- Another was to review the internal controls associated with the disposal process for agency IT assets.

Scope and Methodology

We limited this inspection⁷ to FY2009 records for IT assets⁸. We undertook actual verification of each unique asset identified as surplus. In order to achieve our objective we acquired a copy of the agency's inventory of all IT equipment subject to replacement during the upgrade.

¹ October 1, 2008 to September 31, 2009

² In November 2004 the Office of Information Resources Management upgraded agency personal computers to Windows XP and Office 2003. See Memo from H. Schultz to All DC dated 11-18-04. Also see Memo from M. Bolinger to All CFTC dated 10-1-04.

³ See Memo to All CFTC from D.C. OITS Customer Support Center dated 3-26-08; also see Memo to All CFTC from F. Dragotto, Associate Director for Customer Services dated 12-22-08 regarding New Vista Desktop Rollout Plans.

⁴ We are referring to computer processors-when appropriate we will identify specific equipment such as monitors.

⁵ See Federal Management Regulation (FMR) (41 CFR Chapter 102 Subchapter B "Personal Property"). For donation of surplus personal property see 41 CFR Part 102-37.

⁶ See Executive Order 12999, 61 FR 17227 (April 17, 1996).

⁷ "An inspection includes evaluations, inquiries and similar types of reviews that do not constitute an audit or investigation. An inspection evaluates programs and activities for the purpose of providing information to managers for decision making; making recommendations for improvements to programs, policies, or procedures; and

Operationally, the Office of Information Technology (OITS) identifies and replaces all IT equipment subject to this technology refresh and then transfers the surplus equipment to the Office of Management Services (OMO). OMO is then charged with disposing the surplus equipment. During FY2009 OMO transferred all surplus equipment located in the headquarters office to the GSA. Consequently, we obtained from GSA a listing of all equipment received from CFTC. For donated equipment to needy schools we contacted⁹ the schools designated to receive the surplus asset. In order to verify the accuracy of each list we contacted the individual who acknowledged receiving the IT equipment. We cross checked each asset listed in the different lists to its final destination.

Results

For FY2009 CFTC surplused 1219 information technology assets. These assets consisted of personal computers, monitors, laptops, servers, scanners, printers, switches, enclosures, and miscellaneous IT items.

We examined transfer data for 1196 IT assets consisting of personal computers, laptops, servers, and enclosures (we did not examine surplused personal communication devices such as Blackberry smartphones). These items were located in 4 different offices of the agency and were transferred to the GSA and several educational entities that met requirements of Executive Order 12999.

We were able to account¹⁰ for 1184¹¹ items or 99% of the selected sample of surplus assets. All 11 items¹² not verified as disposed were initially recognized as CFTC assets and it appears that these assets were disposed of, but documentation was not completed or retained. For valuing these assets the GSA relies on acquisition cost for these items. That cost, as determined by GSA, was slightly more than \$1.6 million dollars. However, CFTC had fully depreciated these assets to a current value of zero.

The Government Accountability Office's *Standards for Internal Controls in the Federal Government*¹³ (GAO Standards) state that duties and responsibilities for authorizing, processing, recording, and reviewing transactions should be separated among individuals.

identifying where administrative action may be necessary." (See Quality Standards for Inspections January 2005 page i)

⁸ Smaller dollar value peripheral equipment such as: PC stands, keyboard trays, speakers, cables, and docking stations were not verified.

⁹ GSA was the official donor of the equipment. In the regional offices the schools picked up the equipment from the regional office. Therefore we decided to contact the schools by phone and some did not respond to the inquiry. The schools are not obliged to respond since the former CFTC computers were donated by the GSA.

¹⁰ We directly contacted the designated recipients of each individual asset to verify that they actually received the surplus equipment.

¹¹ Not including one duplicate asset which resulted in reducing our tally from 1185 to 1184.

¹² Total items count is 1196 which consist of 1184 verified+11 not verified and 1 item counted twice.

¹³ GAO/AIMD-00-21.3.1 Standards for Internal Control in the Federal Government (11/99) page 14

We found adequate separation of duties in the process for releasing surplus IT assets to external entities.

Also, as mentioned in the GAO standards¹⁴, “internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination;” we found appropriate documentation of transactions and internal control relating to the disposal of IT assets.

One regional office¹⁵ was able to supply documentary evidence that 88 out of 88 surplus IT assets that contain a data storage device were wiped clean (“sanitized”) prior to its shipment to GSA. However, for other IT assets, located in three¹⁶ other offices, containing a data storage device we found that the CFTC had no available record to confirm that those surplus assets were sanitized by agency employees as required by CFTC disposal policy.

Recommendation

The OITS Asset Manager¹⁷ should confirm, document, and retain evidence that IT assets which contain a data storage device were sanitized prior to shipment to GSA or any outside party.

¹⁴ GAO/AIMD-00-21.3.1 Standards for Internal Control in the Federal Government (11/99) page 15

¹⁵ Chicago Regional Office

¹⁶ The offices are New York, Washington, and Kansas City.

¹⁷ See CFTC Property Inventory Management System Policy and Procedure Guide dated 7-28-08 page 9.