

W

August 20, 1998

TO: J/Associate Administrator for Management Systems and Facilities

FROM: W/Deputy Assistant Inspector General for Auditing

SUBJECT: Observations Regarding Management of Sensitive Equipment
Assignment No. A-HA-98-043
Report Number IG-98-023

During the survey phase of assignment number A-HA-98-028, Audit of NASA Property Controls, we identified several issues related to management of sensitive equipment. Although we decided to perform additional audit work under that assignment, we issued a draft management letter on July 9, 1998, which discussed those issues so that they could be addressed by the special Team¹ formed to review the sensitive item value threshold. Management provided a written response on July 24, 1998, and concurred with all recommended actions. This final report summarizes management's response to the recommended actions and our evaluation of that response.

Background. Current policy, NHB 4200.1D, "Equipment Management Manual," requires all NASA-owned and held equipment with an acquisition value of \$1,000 or greater (and expected life of 2 years or more) to be controlled, that is, specially tagged, entered on the NASA Equipment Management System (NEMS) property system, and periodically inventoried. However, policy also requires that all equipment items considered sensitive --due either to high losses or safety and other factors--to also be controlled if the item value is \$100 or more.

Appendix J of NHB 4200.1D lists 16 categories of equipment that are considered sensitive and must be controlled. The equipment includes automated data processing equipment, cameras, televisions, videotape cassette recorders, weapons, and a special category called "other items which have a high loss history." Although the kinds of items shown on the list are considered the minimum that all Centers must identify and control, equipment managers at each Center may add additional categories if deemed necessary.

¹ The Equipment Dollar Threshold Team, composed of Center equipment management representatives and headed by a staff member in Code JL Security, Logistics, Aircraft, and Industrial Relations Division, was established on April 1, 1998, to determine whether the dollar threshold for controlling sensitive equipment could be raised and to make recommendations to the Associate Administrator for Code J, Management Systems and Facilities.

Sensitive Item Control Differs By Center. Centers we visited control various additional items as sensitive, as allowed by NASA policy. For example, Kennedy Space Center (KSC) and its on-site contractors were controlling several items as sensitive that were not on the basic list. The items included portable electronic test equipment, telephones (primarily cellular), lawn equipment, plotters, and microwave ovens. The Jet Propulsion Laboratory (JPL) was controlling only the equipment items shown on the basic list; JPL was not controlling additional items, even though it also had some of the same types of equipment as KSC. JPL did not believe that those kinds of equipment were at risk.

We did not contact each Center to identify the types of additional sensitive equipment being controlled and were told that Headquarters did not have aggregate data of that kind. Thus, we did not evaluate all the variances and reasons. However, it seems logical that if one Center has legitimate reasons to justify controlling a certain type of equipment not on the basic list, then the others and their related contractors who have the same equipment would face similar risks and should also be controlling it. On the other hand, if some Centers and on-site contractors are effectively preventing losses by other means (for example, physical controls, greater accountability, etc.), thus avoiding the need to control those items as sensitive, similar techniques should be used by all the Centers to reduce the amount of equipment being controlled. We believe that the Equipment Dollar Threshold Team should review all equipment the Centers are controlling as sensitive in making a decision on updating the sensitive items list.

Noncontrolled Equipment Losses. Another area needing attention relates to the issue of ensuring that all NASA-owned equipment is properly protected and that losses are minimized. Data on losses of noncontrolled items are not consistently being collected and evaluated throughout the Agency to determine whether other categories need to be considered candidates for control as sensitive items.

Equipment that does not meet the parameters to be controlled (item value is below \$1,000 and is not on the sensitive list) is considered "noncontrolled." Neither of the locations we visited (JPL and KSC) was analyzing noncontrolled equipment losses in determining which items to control as sensitive. KSC property management officials told us they did not receive data on those kinds of losses although the local Security Office may investigate such cases and may have such data. JPL had a report that showed reported losses of noncontrolled items, but a property management official said JPL did not routinely analyze that information to determine whether certain items should be controlled due to high losses.

Noncontrolled equipment generally does not receive management attention, either in performing inventories or following up on losses. However, items valued below \$1,000 and not on the sensitive list may be experiencing unreasonable losses, and thus may need to be controlled. While we did not fully evaluate this area, our limited work indicates that users may not be reporting losses of noncontrolled items as they are required to (when

theft is suspected), and when reported and investigated by NASA security offices, the information is not consistently provided to equipment managers for consideration. We believe that the Team should also address noncontrolled equipment losses in establishing and updating the sensitive list. While we are not advocating expanding controls over all noncontrolled equipment, items experiencing unreasonable losses should also receive special attention.

Sensitive Items List Should Be Reviewed. After learning about the Equipment Dollar Threshold Team, we followed up to identify its specific objective and determine how it planned to accomplish it. The document we were provided showed that the Team objective was “to determine if a higher sensitive item threshold can be implemented across the Agency and develop a position paper on this matter for approval by the Associate Administrator for Management Systems and Facilities.” The Team’s leader told us that the assignment might be expanded to review the sensitive item list (in order to update it) as well as the threshold. The Team Leader later stated that the Team probably would have time to address the threshold issue only and not the items themselves.

Because the list (NHB 4200.1D, Appendix J) is several years old, and for the reasons discussed, we believe the Team should also evaluate the list to ensure that it reflects current risks and contains all the appropriate categories (considering losses at all Centers and the items each controls as sensitive). This could be accomplished either by the Team, if they are still together and functioning, or as part of the overall revisions to NHB 4200.1.

Recommended Action. The Associate Administrator for Management Systems and Facilities should have Appendix J in NHB 4200. 1D reviewed to ensure that it is comprehensive and current. The review should include:

- a. Evaluating items controlled by all the Centers and on-site contractors as sensitive and that are not currently on the list for possible inclusion in Appendix J.
- b. Analyzing data currently available on losses of noncontrolled equipment, from Security Offices and other sources, to identify items with high losses for possible inclusion in Appendix J (or on individual Center lists as appropriate).
- c. Determining how data collection and reporting for noncontrolled losses can be improved to identify high losses and permit consideration in future updates of the Agency-wide and Center sensitive items lists.

Management Response. Concur. The Equipment Dollar Threshold Team modified the sensitive items list based on historical/current losses and a downsized environment. The Team analyzed loss rates of all NASA equipment as documented in survey and security reports to determine the appropriateness of the sensitive items list. Additionally, the current draft update of NASA policy NPG 4200.1E permits a survey report to be

completed for noncontrolled items that are lost or stolen. Finally, an annual review of the sensitive items list is planned that will include consideration of annual losses of noncontrolled items. The complete text of management's comments is in the Enclosure.

Evaluation of Management Response. The actions taken and planned are considered responsive to the recommendation. Therefore, we consider the recommendation closed upon issuance of this final letter.

We appreciate the courtesies and cooperation provided by management officials during the survey. Please direct any questions regarding the report to either Mr. Chester Sipsock, Acting Program Director, Financial Management and Infrastructure Audits at (216) 433-8960, or Mr. Richard Dix, Program Manager, at (301) 286-8525.

[Original signed by]

Lee T. Ball

Enclosure

cc:

B/Chief Financial Officer

G/General Counsel

JL/Team Leader for Logistics

JM/Audit Liaison

bcc: GSFC/190/R.Dix
LeRC/82-1/C. Sipsock

MANAGEMENT RESPONSE

National Aeronautics and
Space Administration
Headquarters
Washington, DC 20546-0001



Reply to Attn of

JL

JUL 24 1998

TO: W/Assistant Inspector General for Inspections and Assessments

FROM: J/ Associate Administrator for Management Systems and Facilities

SUBJECT: Observations Regarding Management of Sensitive Equipment Assignment
No. A-HA-98-043

Enclosed is the Office of Management Systems and Facilities response to your observations on the management of NASA sensitive equipment.

During the March 1998 Logistics Conference, we confirmed the need for a NASA equipment policy change regarding the threshold for the control of sensitive items as well as a review of the appropriateness of the Sensitive Items List. We established the Equipment Dollar Threshold Team (EDTT), which was comprised of the Headquarters Equipment Program Manager and Center Equipment Managers. The team subsequently revised Appendix J (*Agency (NASA) Minimum Standard Sensitive Items List*) of NHB 4200.1D.

The new Sensitive Items List was approved as an interim policy for the Agency on July 21, 1998, and will apply to the Equipment Management function. This policy will be reflected in the next revision of the NASA Equipment Management Policy, NPD 4200.1, and the NASA Equipment Management Manual, NPG 4200.1E.

We concur with your recommendations and believe that our recent policy change remedies any concerns regarding equipment sensitive items.

If you have any questions or comments regarding the enclosure or need further information, please contact Ms. Susan Kinney at 202-358-2304.


Jeffrey E. Sutton

2 Enclosures

*Management Systems & Facilities
Response to
Recommended Actions for the Management of Sensitive Equipment*

RECOMMENDED ACTION: *The Associate Administrator for Management Systems and Facilities should have Appendix J in NHB 4200.1D reviewed to ensure that it is comprehensive and current. The review should include:*

a. Evaluating items controlled by all the Centers and on-site contractors as sensitive (that are not currently on the list) for possible inclusion in Appendix J.

HQ Response: Concur with recommendation. During the March 1998 Logistics Conference, attendees confirmed the need for a NASA Equipment policy change regarding thresholds for the control of sensitive equipment as well as review of the accuracy of the Agency Sensitive Item List. The Equipment Dollar Threshold Team (EDTT), which was comprised of the Headquarters Equipment Program Manager and Center Equipment managers, reviewed and revised Appendix J (*Agency (NASA) Minimum Standard Sensitive Items List*) of NHB 4200.1D. The team modified the list based on factors such as historical/current losses, and a downsized environment coupled with the impact of different missions. The revised Sensitive Items List was approved as an interim policy for the Agency on July 21, 1998, and will apply to the Equipment Management function. This policy will be reflected in the next revision of the NASA Equipment Management Policy NPD 4200.1 and the NASA Equipment Management Manual NPG 4200.1E. The revised list is provided herein as Enclosure (2). The Team added language to the list to permit the Supply and Equipment Management Officer latitude to modify the list based on historical loss rates.

b. Analyzing data currently available on losses of non-controlled equipment from Security offices and other sources, to identify items with high losses for possible inclusion in Appendix J (or on individual Center lists where appropriate).

HQ Response: Concur with recommendation. As mentioned above, the Team analyzed current/historical loss rates of all NASA equipment as documented in Survey and Security reports to determine the appropriateness of the Sensitive Items list provided as Enclosure (2).

Additionally, the draft NPG 4200.1E, paragraph 3.3.4, includes enabling language that permits a survey report to be completed for non-controlled items that are lost or damaged. "at the discretion of the Center SEMO or other responsible official, a survey may be made to cover loss, damage...for which property accountability is not maintained" (e.g. non-controlled).

c. Determining how data collection and reporting for non-controlled losses can be improved to identify high losses and permit consideration in future updates of the Agency-wide and Center sensitive items lists.

HQ Response: Concur with the recommendation. As stated above, the Team analyzed current/historical loss rates of NASA equipment as documented in Survey and Security reports to determine the appropriateness of the Sensitive Items list. Additionally, the Team added language to Enclosure (2) to permit the Supply and Equipment Management Officer (SEMO) the latitude to modify the Sensitive Item List as they deem appropriate based on historical losses. The Team recognized that an annual review of the Sensitive Items list would be beneficial and agreed to incorporate this process during annual Logistics or SEMO meetings. This review will take into consideration annual losses of non-controlled items to determine whether they should be incorporated into the Sensitive Items List.

Enclosure 1

AGENCY (NASA) MINIMUM STANDARD SENSITIVE ITEMS LIST

Items, regardless of acquisition value.

1. WEAPONS, ALL FORMS - AIR, SPRING, POWDER, OR OTHER PROPULSION SYSTEM.

Items with an acquisition value of \$500 or above.

1. AUTOMATED DATA PROCESSING EQUIPMENT (ADPE), which includes the following:
 - a. DRIVES, disk
 - b. MONITORS.
 - c. PRINTERS.
 - d. TERMINALS.
 - e. COMPUTERS, ALL MICRO, including laptops and other portables. Except mainframe and mini systems).
2. CAMERAS, All.
3. ENVIRONMENTALLY HAZARDOUS DEVICES.
4. PLAYERS, VIDEO CASSETTE.
5. RADIOS, RECEIVERS, AND TRANSCEIVERS.
6. RECORDERS, VIDEO.
7. TELEVISIONS.
8. OTHER ITEMS NOT LISTED THAT HAVE A HIGH LOSS RATE AS REFLECTED BY A CENTER'S REPORTS OF SURVEY, OR ITEMS SO DETERMINED BY THE CENTER SUPPLY AND EQUIPMENT MANAGEMENT OFFICER.

Enclosure 2