



# Memorandum

U.S. Department of  
Transportation  
Office of the Secretary  
of Transportation  
Office of Inspector General

Subject: ACTION: Management Advisory Memorandum on  
Limited Scope Review of Governors Island Personal  
Property, Report Number: R2-CG-7-014

Date: July 16, 1997

From:   
Lawrence H. Weinrob  
Assistant Inspector General for Auditing

Reply to JA-1  
Attn of

To: Chief of Staff  
U.S. Coast Guard

We completed a limited review of U.S. Coast Guard (Coast Guard) personal property assigned to Governors Island, New York. The objective was to determine if accountable property records for Governors Island accurately reflected a limited sample of items. The review was performed to support on-going property transfers and disposals in connection with the closure of Governors Island.

## Summary

Our review disclosed the Coast Guard needs to improve its management and control over accountable personal property on Governors Island. The Coast Guard defines personal property as "All tangible property . . . with the exception of real property and records of the Federal Government." Personal property includes such items as computers, printers, tools, televisions, and microwave ovens. Property records were not accurate or complete, and property was not adequately safeguarded against theft, waste, and misuse. The Governors Island Closure Project Residence Office (CPRO) could not find 70 of 197 (36 percent) judgmentally selected items at their assigned locations on Governors Island nor could it provide documentation of transfer or removal. In addition, we could not find on CPRO property records, 36 of 64 (56 percent) accountable items on-hand at the Police building and 135 of 394 (34 percent) accountable items on-hand at the CPRO Headquarters building. Furthermore, CPRO issued 31 reports of survey between March and December 1996, removing 306 items, such as camcorders, Motorola police radios, televisions, and VCRs, costing \$194,252 from accountable

as missing or stolen. The large number of items surveyed (306) and the pilferable nature of the items raised concern over the adequacy of safeguards for the property.

### Background

The Coast Guard Property Management Manual (Property Manual), Commandant Instruction M4500.5, provides criteria for management of personal property at Coast Guard installations. Coast Guard Headquarters maintains the official property records for all Coast Guard accountable personal property, including Governors Island.

The Coast Guard began closing Governors Island in March 1996, and expects to complete the process in 1997. Support Center New York was originally responsible for maintaining the Island but was dissolved prior to the closure. CPRO was established in 1996 to, in addition to other functions, dispose of excess property for the 15 Coast Guard units remaining on the Island. Consequently, CPRO inherited the property from Support Center New York. CPRO will be the last functional unit on Governors Island, and will be dissolved upon completion of the closure action.

### Scope and Methodology

To verify whether items on the property listing were located on Governors Island, we determined a judgmental sample of approximately 200 items would be appropriate. We based our universe on a Coast Guard Headquarters property listing for CPRO, identifying 5,455 property items having a cost of \$6,881,593, as of September 1996. Our sample included all 21 items on the listing costing \$25,000 or more. For lesser valued items, we selected every 32nd item on the listing and derived a total sample of 197 CPRO items, having a recorded cost of approximately \$2 million. We considered an item properly accounted for if we either physically verified the item, or obtained a copy of a proper transfer or report of survey document. During our physical inventory, we were accompanied by CPRO property staff to assist in locating the items. We considered a transfer document proper if an individual signed for receipt of the item. We considered a report of survey proper if an individual signed that the survey was performed in accordance with Coast Guard regulations.

In addition, to determine whether on-hand CPRO accountable items were listed on current CPRO property records, we reviewed items at two locations. We confirmed with CPRO officials those items considered accountable and that should be listed on property records. We selected the first floor of the CPRO

Headquarters building because CPRO had the largest quantity of personal property of the units remaining on Governors Island. We also selected the Police building because of the pilferable nature of items at that location and the number of items reported missing by the property custodian.

We conducted our review during the period from January to March 1997, at Governors Island, and Coast Guard facilities on Staten Island, New York. We discussed our results with CPRO officials on March 17 and March 24, 1997.

#### Property Not Found at Assigned Locations

The Property Manual requires property officers to ensure "...effective administration and maintenance of the property accountability and control system within the unit." A complete and independently-conducted inventory is required within 30 days of appointment of a new property custodian, and automated accountable property records must be updated within 30 days after changes are made.

Of the 197 personal property items reviewed, 70 (36 percent) were either not found at their assigned locations on Governors Island, or lacked proper documentation to validate removal due to transfer or loss. Examples of items not found included:

- Office automation equipment, such as computer monitors, computers, laser printers, and pagers.
- Audio/video equipment, such as a Bose speaker, effect sequencer, amplifier, Hitachi VCR, and special effects generator.
- Household items, such as a carpet dryer, microwave, lawn mower, and food freezer.
- Power tools, such as a hammer drill, welder, jig saw, electric mud mixer, cordless drill, and battery charger.

For the 70 items not found, CPRO provided 16 transfer documents without signed receipts, and 6 reports of survey where no investigation was conducted to determine if the items were missing, stolen, or relocated without a transfer document. CPRO could not find the remaining 48 items on Governors Island, and was unaware the items were not at their assigned locations prior to our review. As corrective action, CPRO completed transfer documents for 25 missing items they located at other installations.

The CPRO Comptroller stated CPRO was not prepared to process the large number of property items transferred from departing units. Instead, planning efforts were focused on avoiding costly delays in unit transfers and other closure actions scheduled through August 31, 1996. Consequently, the Comptroller advised the discrepancies we found occurred because complete and independent inventories were not conducted within 30 days of CPRO receiving property.

Included in the 70 missing items were 4 items costing \$25,000 or more each. One item was a single \$62,145 entry for a purchase of 10 Daihatsu utility vehicles erroneously shown as one vehicle on the property records. The 10 vehicles were also individually listed as 10 separate entries on the property records. The remaining three items, a tractor vehicle, forklift truck, and backhoe, were assigned to Governors Island, but then relocated to Staten Island without transfer documents. CPRO removed the erroneous entry double-counting the 10 utility vehicles, and completed transfer documents for the three items on Staten Island. Upon receiving the completed transfer documents, we physically verified the three items on Staten Island. Also on Staten Island, we found four of five items costing less than \$25,000 which had been relocated without proper documents.

#### Property Not Listed on Accountable Records

The Property Manual requires accountable records include property costing \$1,000 or more, and sensitive items, costing \$100 or more, such as audiovisual equipment, automation equipment, office machines, and power hand tools. To determine if items found on Governors Island were listed on CPRO's current property records, we reviewed items located in two CPRO buildings. Of 64 accountable items found at the Governors Island Police building, 36 items were not listed on property records. Similarly, of the 394 accountable items found on the first floor of the CPRO Headquarters building, 135 items were not listed on property records.

In total, of 458 items found, 171 (37 percent) were not listed on property records. Items not on records included hand-held communication radios, cellular phones, police radios, televisions, computers, fax machines, copier machines, laser printers, VCRs, and a Sony camcorder.

In addition, 156 items originally assigned to CPRO were not listed on accountable records for any Coast Guard organization. CPRO electronically transferred accountability over these items to the Activities New York Command. An electronic transfer occurs as an "E-Mail" message with property item listings as an attached file. Once attached to an E-Mail electronic transfer, items are automatically removed as accountable for the sending organization.

Beginning in August 1996, CPRO electronically transferred accountability over the 156 items through numerous transactions to Activities New York. The Activities New York property officer did not accept the electronic transfers of accountability because CPRO did not provide supporting transfer documents. As a result, 156 accountable items were listed in a “pending file” in the automated property system and were not shown on either organization’s property records. The items included televisions, microwave ovens, paintings, computers, and printers. Coast Guard Asset Management Division officials informed us Coast Guard procedures do not require supporting transfer documents be provided to the receiving unit prior to electronic transfer.

### Property Removed Through Reports of Survey

The Property Manual requires “. . . effective control of the procurement, use, safekeeping and disposal of property.” When property is suspected to be lost or stolen, property officers must promptly prepare and process reports of survey. The manual also requires a board of survey be convened to investigate and determine employee personal responsibility for such loss.

CPRO issued 31 reports of survey, removing 306 items valued at \$194,252 from accountable records as missing or stolen, between March and December 1996. The 31 reports issued included surveys without the investigations required by the Property Manual for 142 items costing \$79,378, and surveys which had the required investigation for 164 items costing \$114,874.

While reviewing the CPRO Property Officer’s Report of Survey log, we found four reports of survey for which copies of the reports had not been provided to us. CPRO advised the reports had been lost. The property officer identified one of the reports as canceled because items listed were duplicated on other reports of survey. The status of the three remaining reports is unknown, as the log was blank regarding disposition of the items. Although a section of the log provides for a detailed listing of the items surveyed, the log did not contain the necessary information.

The large number of pilferable items surveyed raised concern over proper accountability and the adequacy of safeguards for the property. Surveys were completed, or in process, for the loss of pilferable and sensitive items, such as camcorders, binoculars, and Motorola radios from the police unit. One camcorder, for example, cost \$3,000. Surveyed items for other CPRO units included 13 Motorola radios at a cost of \$1,000 each. Additional surveyed items for other CPRO units included televisions, VCRs, audio components and speakers, pagers, desktop and laptop computers, printers, and power hand tools. The CPRO

property officer advised that surveys were processed without required investigations to more quickly dispose of the property. However, without survey investigations, CPRO lacked assurance that items removed from accountable records were not simply in another location on Governors Island, or had not been relocated to other installations without transfer documents.

### Conclusion

The 15 Coast Guard units still at Governors Island are scheduled to close by October 1, 1997. Since the closure process requires all personal property to be processed through CPRO, the weaknesses we observed in management and control of property should be addressed without delay. Accordingly, our recommendations regarding the transfer and disposal of the remaining items are addressed to both CPRO and other units on Governors Island.

### Recommendations

We recommend the Chief of Staff direct CPRO, and each unit on Governors Island, to:

1. Immediately conduct an inventory of accountable personal property performed by an independent person, as described in the Property Manual.
2. Require that transfer documents include a signed receipt and all other relevant information.
3. Convene a board of survey to investigate missing or stolen items whenever a report of survey is warranted.
4. Effectively safeguard property of a pilferable nature to avoid the need for future survey action due to missing or stolen items.
5. Properly account for property items. The CPRO should account for those items in this review not found at assigned locations and items found, but not listed, on accountable records.
6. Provide the receiving property officer with supporting transfer documents at the time of electronic transfer.

## Management Response

In its June 13, 1997, response to our April 16, 1997, draft Management Advisory Memorandum, the Coast Guard concurred with our recommendations and indicated corrective action was, or would be, taken. The Coast Guard conducted an independent inventory of CPRO personal property, and plans to prepare Reports of Survey for the 15 percent of inventory that CPRO could not find. Furthermore, the Coast Guard is incorporating into its Property Management Manual, our recommendation that transfer documents include a signed receipt and all other relevant information. The Coast Guard has also directed CPRO to investigate all pending Reports of Survey, agreed to effectively safeguard pilferable property, and take corrective action for items not properly accounted for during our review. In addition, the Coast Guard reported that CPRO has transmitted transfer documents for electronic transfers to the receiving unit, and is updating inventories to document such transfers. Coast Guard's complete response is included as the appendix to this memorandum.

## Review Comments

The actions taken by the Coast Guard are responsive to the Management Advisory Memorandum recommendations. Therefore, the recommendations are considered resolved, subject to the followup provisions of Department of Transportation Order 8000.1C.

I appreciate the courtesies and assistance extended to our staff during the review. If you have any questions, or require additional information, please contact me at (202) 366-1992, or Michael E. Goldstein, Regional Manager, Region II, at (212) 264-8701.

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