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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

GENERAL GOVERNMENT  
DIVISION

AUG 2 1972

Dear Dr. Kushner

We have completed a survey of the National Bureau of Standards' management controls over personal property. The survey was performed at Bureau headquarters in Gaithersburg, Maryland. We do not intend further review at this time, however, we wish to bring to your attention matters which we believe require corrective action or offer a potential for improvement

Department of Commerce Administrative Order No. 217-9 requires a complete physical inventory of personal property at least once each fiscal year to verify property records. The Bureau has not performed such an inventory since fiscal year 1968 because of insufficient personnel assigned to this function. We believe that physical inventories by the Bureau at regular prescribed intervals are necessary as a check on the effectiveness of the accounting procedures to provide adequate and accurate information on all significant changes in the investment in property assets and to comply with departmental regulations.

Action has been taken by the Bureau to implement the recommendation made in July 1970 by the Property Management Task Groups that statistical sampling techniques be used in accomplishing the annual physical inventories. We believe that statistical sampling can be an effective means of taking the inventories if properly conducted. We are concerned, however, about certain conditions which we observed in a physical inventory taken at our request.

We found that 114 of the 259 items of listed equipment for section 312.02 did not have recorded locations or had incorrectly recorded locations. Many of the items had been loaned to other sections, and could not be readily located because of incomplete loan slips. Further, three items were located which did not appear on the inventory listing.

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Based on the results of the physical inventory of section 312.02 and the fact that four years have elapsed since the last complete physical inventory, we have reservations about the validity of an assumption underlying the design of the Bureau's sampling plan dated May 25, 1972. The plan assumes that Bureau property management is "in control," meaning that at least 97 percent of the total value of equipment could be located by a complete physical inventory.

If Bureau property management is in fact "out of control," a complete physical inventory would be necessary as a basis for implementing the sampling plan. We suggest therefore, that the Bureau perform test inventories to establish the validity of the assumption that Bureau property management is in control. Prompt recognition of the need for a complete physical inventory would prevent unnecessary expenditures of time and money on sampling and searching for missing items on loan.

While we did not review the sampling plan of May 25, 1972, for statistical validity, we noted that the procedures described could determine that items recorded in the master property files were missing but could not reveal the existence of any items which had not been recorded. We believe it is essential that the sampling plan be revised as necessary to provide assurance that all property on hand is properly recorded.

Although efforts have been made by the Bureau in the recent past to increase the sharing of equipment, we found in our sample of equipment utilization many instances of unused equipment. We believe that our recommendations made in 1968 for walk-through inspections and equipment pools at the Bureau's laboratories in Boulder, Colorado, (Report to the Congress, B-164190, July 9, 1968) have applicability to the Bureau's operations at Gaithersburg. Accordingly, we suggest that strong consideration be given to implementing these management techniques to identify unneeded equipment for disposal action and to increase equipment utilization.


In our survey we also considered the extent to which the Bureau leases equipment. Although we found that only a small amount of equipment has been leased, we learned from interviews with various officials that the possibility may exist for leasing more equipment. We believe one of the main reasons for not leasing equipment is that leasing is not considered as an alternative to the procurement of equipment needed for special projects or for a limited time.

Currently, the Bureau's procurement policies do not include criteria relative to the leasing of equipment. We suggest that the Bureau explore the feasibility of leasing as an alternative to procurement and consider developing appropriate leasing guidelines if it is determined that savings could be effected thereby.

We wish to acknowledge the cooperation extended to our representatives during the survey. We would appreciate receiving information as to your action or views on the matters discussed in this letter.

Copies of this letter are being sent to the Assistant Secretary for Administration and to the Director, Office of Audits, Department of Commerce.

Sincerely yours,

  
Donald C. Pullen  
Assistant Director

Dr. Lawrence M. Kushner, Acting Director  
National Bureau of Standards  
Department of Commerce