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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548



HUMAN RESOURCES
DIVISION

June 21, 1983

Mr. Nelson J. Sabatini
Acting Deputy Commissioner for Management
and Assessment, Social Security Administration
Department of Health and Human Services

Dear Mr. Sabatini:

Subject: The Social Security Administration's Management
of Personal Property at Headquarters Needs
Improvement (GAO/HRD-83-50)

The General Accounting Office has completed its review of the management of personal property at the Social Security Administration (SSA) headquarters. Personal property is office furniture and equipment required for SSA operations. Property management means the management of and accountability for personal property including its receipt, storage, issue, utilization, and disposal. The capitalized value of SSA's personal property nationwide is about \$164 million of which about \$143 million is located at SSA headquarters.

We found that SSA does not have an accurate record of its personal property or where it is located. This problem exists because SSA reorganized several times and, in the process, moved personal property without keeping track of it, and did not take annual physical inventories of personal property as required by its regulations. Also, proper controls have not existed to prevent the loss or theft of personal property, and while our work was not directed toward detecting fraudulent acts, we found that from January 1981 through March 1982 over \$12,000 worth of sensitive SSA property--items vulnerable to theft--was reported stolen at the SSA headquarters, and about \$60,000 more nationwide.

In addition, we found that SSA does not

- have accurate inventory records of its stored personal property,
- adequately coordinate the disposal of excess property with the General Services Administration, and
- make annual property accountability surveys of its property.

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We did not obtain formal written comments from SSA; however, we discussed the results of our work with SSA property management officials. Generally, they agreed that the problems we identified do exist. We have included their comments in the enclosure to this report. During our review, the officials began action to correct some of the deficiencies we noted, and developed plans to take additional corrective actions.

Although a number of actions are being taken or planned to improve SSA's personal property management and accountability, it was too soon for us to assess the implementation and effectiveness of them. Therefore, we recommend that SSA

- make annual physical inventories of personal property as required by SSA's regulations,
- develop and maintain accurate inventory records of stored personal property,
- adequately coordinate the disposal of excess personal property with the General Services Administration,
- make annual property accountability surveys at SSA headquarters,
- require that Custodial Officers obtain signed receipts when they issue sensitive property, and
- emphasize to property management officials the need for controls over sensitive property to avoid loss or theft.

The details of our review are discussed in the enclosure to this report.

Sincerely yours,


Andrew F. Kulanko
Group Director

Enclosure

THE SOCIAL SECURITY ADMINISTRATION'S
MANAGEMENT OF PERSONAL PROPERTY AT
HEADQUARTERS NEEDS IMPROVEMENT

BACKGROUND

The Social Security Administration (SSA) property management program is administered under title III of the Federal Property and Administrative Services Act of 1949, as amended; implementing regulations of SSA; the Department of Health and Human Services Materiel Management Manual; GAO requirements; and other pertinent statutes, regulations, and procedures.

Within SSA, the Division of Property Records Management (DPRM), Office of Materiel Resources, is responsible for the establishment, implementation, maintenance, and review of an SSA-wide program of property management. SSA expects that every level of management should implement controls to prevent loss, waste, improper use, or unwarranted accumulation of excess personal property.

Personal property is office furniture and equipment required for the support of SSA's field and headquarters operations. Property management means the management of and accountability for personal property including its receipt, storage, issue, utilization, and disposal.

Generally, personal property costing \$300 or more is capitalized (i.e., recorded in the books as assets). Property costing less than \$300 is not capitalized. SSA maintains a computerized record of capitalized property--the Master Inventory Listing (MIL)--and is required to update it at least once a year.

SSA also designates certain types of equipment that are subject to theft and excessive demand as sensitive property--cameras, tape recorders, dictaphones, etc. However, such property may be capitalized or not capitalized depending on whether it costs \$300 or more.

A representative from DPRM is designated as the Property Accountable Officer and is responsible for all Government owned and leased equipment in SSA. The head of each major SSA component appoints a Property Management Officer to be responsible for all matters within that component relating to property management. A Custodial Officer is appointed for each of the major subdivisions under the jurisdiction of a Property Management Officer. Under this chain of responsibility, the Property Accountable Officer oversees 15 Property Management Officers who oversee over 200 Custodial Officers at SSA.

The total value of SSA's capitalized personal property is about \$164 million of which about \$143 million, exclusive of about \$6 million for the Office of Hearings and Appeals, is located at SSA headquarters. This includes about \$83 million of automatic data processing equipment. There is no record of the inventory value of SSA's noncapitalized property.

The property accounting and control system design, to manage this property, was reviewed by us and approved on September 25, 1980; however, until now we had not reviewed the operation of the system.

OBJECTIVES, SCOPE, AND METHODOLOGY

From March through November 1982, we studied SSA's management of personal property, with emphasis on the management of capitalized and sensitive property, at the SSA headquarters. We interviewed SSA officials responsible for property management, reviewed property records, and took physical inventories in selected headquarters' components. We looked at the financial accounting systems for personal property, and we reviewed SSA's policies and procedures covering accountability for noncapitalized personal property. We examined excess property in storage at the SSA main warehouse in Middle River, Maryland, and in two small storage rooms at headquarters, as well as the procedures for identifying personal property as excess. We also reviewed the actions taken on items reported to the General Services Administration (GSA) for disposal.

We discussed with SSA representatives computer programming and utilization to determine if hardware and software problems adversely affected the control over personal property and whether the problems could be resolved.

We discussed the results of our work with SSA property management officials; because they agreed generally that the problems identified do exist, we did not request formal written comments.

Except as noted above, our work was performed in compliance with generally accepted government audit standards. We did not specifically look for theft or fraudulent acts.

SSA REORGANIZED AND MOVED PROPERTY WITHOUT KEEPING TRACK OF IT

Since 1975, there have been two major reorganizations at the SSA headquarters. During the reorganizations personal property was moved to different organizational units and locations, some newly created, but SSA did not maintain accurate records showing where the property went. As a result, SSA was unable to account for all of its personal property because it did not know where some of the property was located.

SSA uses identification numbers to account for personal property. The numbers are recorded on the MIL, and they identify the SSA component and what personal property has been assigned to that component.

Problems that result from not accurately recording the proper identification numbers on the MIL when offices, units, and property are moved can be demonstrated by what happened in the Office of Financial Resources (OFR). OFR has several subdivisions; each subdivision had been assigned an identification number to account for assigned personal property. The MIL for OFR showed that OFR was accountable for 485 items costing about \$475,000. However, OFR's own inventory listing showed only 93 of the items costing about \$54,000 as belonging to it. A further comparison showed that many items on OFR's listing were not recorded on the MIL under the same subdivision as shown on the OFR inventory listing. Also, we traced 17 items costing about \$31,000, from the OFR inventory list to the MIL. The items were recorded on the MIL under property identification numbers not assigned to OFR.

We also found that the MIL for one OFR subdivision, the Division of Administrative Budget, showed it was accountable for 205 property items costing about \$168,000. Our analysis showed that this subdivision should have been accountable for only five of the items valued at \$3,557. The MIL showed that the OFR subdivision was responsible for such items as hospital beds, medicine cabinets, wheelchairs, examination tables, electrocardiographs, and other medical property not related to a budget operation. The MIL should have shown that the medical property belonged to the Division of Employee Health and Occupational Safety, not the Division of Administrative Budget.

SSA DID NOT TAKE REQUIRED
ANNUAL PHYSICAL INVENTORIES

SSA regulations require that all capitalized personal property be inventoried at least annually. SSA regulations also require that personal property be physically inventoried and reconciled to the general ledger accounts to verify the records. The last complete physical inventory of capitalized property was taken in 1974. In July 1981, the Division of Finance emphasized the need for an inventory to reconcile the financial records. The Division's management said that due to years of functioning without a property reconciliation procedure, the DPRM records showing property values do not agree with the general ledger figures in the financial accounting system. They also said that a physical inventory is "desperately needed" and requested the DPRM to take a complete physical inventory immediately. They stated that incorrect property values have

the following effects:

- The annual statement of SSA's financial condition is not accurate.
- The recording of depreciation is unnecessarily complicated and inaccurate, thus affecting the ability of the Cost Analysis System to accurately assess user charges to the general and trust funds.

SSA has been taking a physical inventory on a piecemeal basis for the last 2 years; as of June 1983, no firm date for completing the inventory had been established.

SSA's 1980 Property Management Reform not fully implemented

Recognizing the need for better property management, the Commissioner of Social Security issued, in June 1980, a memorandum on "Property Management Reform" to all SSA components. The memorandum required the establishment of a network of Property Management Officers and Custodial Officers throughout SSA's headquarters and regions to implement the reform. A chief Property Management Officer position was to be established at headquarters to assure compliance with the memorandum and to enforce existing policies and procedures. The Commissioner directed that the network of Property Management Officers and Custodial Officers be in place by June 30, 1980. As of March 1983, implementation of the Commissioner's reform was not complete. Although a deadline had been set for designating the Property Management Officers and Custodial Officers, their appointments depended on their acceptance of the responsibilities in writing. As of March 1983, only 97 of 212 designated Custodial Officers and 13 of 15 Property Management Officers had submitted acceptance statements.

SSA officials said that although the designees were performing their duties they were reluctant to accept responsibility in writing until all inventories had been taken and reconciled to the records for which they would be responsible.

The MIL of personal property is not kept current

Although SSA is updating its computerized records of personal property and is taking a physical inventory on a piecemeal basis, the information obtained has not been recorded in the MIL in a timely manner. A series of operating and computer systems' problems in the past several years have resulted in data processing delays.

At the start of our examination in March 1982, we requested the MIL for February 1982. We were told that it was not available because transactions subsequent to November 1981 had not been processed. It was not until the latter part of March 1982 that the MIL for December 1981 was prepared. The MIL prepared in May 1982 contained transactions for January and February 1982. We were told that SSA would process 2 months of transactions at a time for subsequent MILs in an effort to catch up. At the end of our survey in October 1982, the latest MIL, prepared in July, contained the transactions that occurred in February and March 1982. The MIL was 6 months behind.

We discussed the causes for the delay with SSA officials. They told us that the present system is an automated version of an electronic accounting machine card system that was used prior to 1976. It was to have been an interim system to be used for only about a year, but is still being used. The entire software program for the property accounting system needs to be rewritten, but SSA does not have the resources to do it.

Officials also said that the computer is used for other SSA administrative functions in addition to personal property. Because personal property transactions are input in batches by dialing into the computer from an outside terminal and because the computer is shared with about 75 other users, it is common for users not to be able to make a connection with the computer each time they dial in. Not making such connections can cause delays in processing property transactions and hinder updating of the MIL.

The officials further said that the computer, first marketed in 1964, is old, obsolete, and does not give good service to its users. SSA records show that work on the competitive replacement of this computer was begun in 1977 and, as of April 1983, new computer equipment was being installed.

SSA DOES NOT KEEP INVENTORIES FOR
STORED PROPERTY AND COORDINATION
WITH GSA IS NOT ADEQUATE

SSA does not maintain an inventory of stored personal property, either ready for issue or excess and awaiting disposal. Only estimates of the furniture and equipment in storage are available.

SSA regulations require that any furniture and equipment for which there is no foreseeable need within the next 6 months be reported as unneeded so that it may be used elsewhere within SSA when possible, or reported as excess to GSA and made available for use by other Federal agencies.

SSA does not inventory
stored property

SSA's principal warehouse at Middle River, Maryland, is used to store various classes of property, including ready for issue items and excess property awaiting disposal by GSA.

The Middle River warehouse is under the responsibility of two branches within DPRM . The Receiving, Storage, and Issue Branch is responsible for placing ready for issue and excess property in storage. Once the property is stored in the warehouse, it becomes the responsibility of the Equipment Management and Services Branch or, in some instances, the component owning the property--sometimes property from other SSA components will be accepted for temporary storage for up to a year if the component foresees a future need. The storing component is accountable for equipment in temporary storage. The Equipment Management and Services Branch also uses two storage rooms at headquarters for temporary storage of equipment. Excess typewriters and calculators are stored in one of these rooms until the paperwork needed for disposition is prepared, then the equipment is moved to the Middle River warehouse pending disposal. The second storage room is used to store sensitive property awaiting disposal.

SSA does not maintain inventories of these storage areas and thus does not have an accurate record of what is available to fill requirements, or what is awaiting disposal.

Equipment Management and Services Branch employees told us that property awaiting disposal from headquarters' components is recorded in the property accounting system under a property awaiting disposal common account. Our analysis of the MIL for property awaiting disposal showed that not all such property from headquarters' components is included in the common account. As of May 1982, only 521 property items awaiting disposal, valued at about \$3 million, were included in the common account; at least another 175 property items awaiting disposal, valued at \$2.9 million, were still recorded on the MIL under headquarters' components individual accounts, dispersed throughout the inventory records, rather than under the property awaiting disposal common account. As a result, SSA does not have an accurate inventory of property awaiting disposal stored in the Middle River warehouse and other storage areas. Nor does it have an accurate inventory of ready for issue property that could be used to meet its operational needs.

SSA needs to maintain accurate inventories of stored personal property showing what is (1) ready for issue and (2) excess and awaiting disposal by GSA.

Better coordination with GSA in the disposal
of excess personal property is needed

An inventory of the personal property stored at the Middle River warehouse had not been taken since 1978, and a list of property pending disposal was not available for us to compare with the master record. Consequently, we made a walk-through survey and requested information on selected items of property.

We learned that all property which is sent to the warehouse by SSA's components does not arrive with the appropriate paperwork. Such property is set aside in anticipation that the paperwork will arrive later. We saw 20 pieces of computer equipment which we were told were being sold. We were able to trace 15 of these items to the MIL disposal common account and 2 items to the property accounts of other components of SSA. The remaining three items were not recorded in the MIL as they should have been.

We also found that disposal actions take a long time. Some equipment had been in the warehouse about 3 years, and GSA had not responded to SSA's request for disposition. Further, in some cases, SSA has taken up to 16 months to notify GSA that it has equipment excess to its needs. For example, in June 1979, SSA's Equipment Services and Repair Section asked the SSA Supply Officer for disposition instructions for a television kinescope which had been on the stage in SSA's auditorium for 15 years, but not used for some time. The Repair Section was not able to determine which component was accountable for the kinescope because it was not recorded in the MIL. The kinescope was transferred from the auditorium to the Middle River warehouse. Its estimated cost was \$15,000.

On September 30, 1980, SSA notified GSA that the kinescope was excess to its needs. GSA acknowledged receipt of the report on November 5, 1980. However, a GSA representative was unable to tell us, in May 1982, why disposal action had not been taken. He suggested that if SSA fails to receive disposition instructions from GSA, SSA should after a reasonable time contact GSA about the item or resubmit the paperwork required for disposal action. The representative said that the kinescope would be scheduled for the next GSA surplus property sale. As of May 1983, the kinescope was still at the Middle River warehouse.

PROPERTY ACCOUNTABILITY
SURVEYS NOT MADE ANNUALLY

SSA has not made any property accountability surveys at its headquarters for the last three years. The purpose of these surveys is to assure that all offices are complying with prop-

erty accountability policies and procedures as they relate to acquisition, control, utilization, and disposal of property. SSA's property management policy requires that these surveys be made annually in the field and headquarters.

During fiscal year 1980, the first year of the program, headquarters personnel from the Division of Property Management made the surveys in the regions. DPRM personnel were unable to review the entire 5-percent sample of property custodial areas scheduled for fiscal year 1980 because a shortage of travel funds forced indefinite postponement of the surveys. No accountability surveys were made at headquarters.

During fiscal year 1981, the field accountability surveys were to be made by area director or regional office staffs as part of their regular field office visits. Again, a 5-percent sample was to be surveyed. As of October 1982, the field had not completed its fiscal year 1981 surveys. Only two of SSA's 10 regions had completed their surveys and forwarded final reports. Five other regions had completed their surveys, but had not submitted the final reports, which are required within 30 days of the visit. The remaining three regions had not completed their surveys. No surveys were scheduled for fiscal year 1982 because the fiscal year 1981 surveys had not been completed.

SSA has not made any property accountability surveys under this program at headquarters. DPRM personnel said that the only recent survey was a walk-through property utilization survey of the headquarters complex in early 1981.

CONTROLS OVER SENSITIVE
PROPERTY ARE NOT ADEQUATE

SSA does not know how much sensitive property it has or where it is located. SSA's guide for Custodial Officers does not require that sensitive items issued by Custodial Officers must be controlled through signed receipts or other records.

The guide states that the Custodial Officers "may" require signed receipts. During the period from January 1981 through March 1982, over \$12,000 worth of sensitive property was reported stolen at the SSA headquarters, and about \$60,000 more nationwide.

Property accounting system
does not adequately account
for sensitive property

The SSA property accounting system does not designate what property is sensitive and should be controlled accordingly. The property accounting system accounts only for property at and

above the \$300 capitalization threshold; it does not identify sensitive property--capitalized or noncapitalized. Some Custodial Officers maintain an inventory of both capitalized and noncapitalized sensitive property within their jurisdiction, while others do not.

Thus, SSA does not know the value of all of its sensitive property or where it is located.

Control over sensitive property varies

SSA's guide for Custodial Officers does not require them to obtain signed receipts for sensitive property. We found through contacts with 18 Custodial Officers that controls over sensitive property ranged from little or none to a detailed report of where the property was located and who was responsible for it. Examples of the variations among Custodial Officers we contacted follow:

- Sensitive property is assigned to managers. Inventory updates of additions and deletions are required every 30 days. Physical inventory is required every 90 days.
- Individuals assigned sensitive property are required to sign receipts. If an item is lost or stolen, the responsible individual is issued another item. If the second item is lost, the individual must purchase his or her own, if he or she wants one.
- Property is assigned to supervisors. Inventory of all property is prepared annually. If an item is not accounted for, an effort is made to determine its location or disposition.
- Sensitive property as well as office space is secured during nonworking hours.
- A master list shows where sensitive property is assigned. Employees are responsible for securing under lock and key property that is not in use. Periodic checks are made to determine if property is located where it should be.
- Some property items are placed out of sight when not in use while others are locked to the desks or tables.

As the above examples show, the control over sensitive property varies greatly. Very few of the 18 Custodial Officers

we contacted said that they required signed receipts from individuals who were assigned sensitive property. Some said that they maintained inventories showing individuals or groups who were assigned sensitive property, while others said that they were responsible for small offices and knew where the property was located.

SSA'S COMMENTS AND ACTIONS

We discussed the issues in this report with SSA officials responsible for property management. They recognized a need for improved property management and explained that a number of actions have been initiated. In July 1982, a Systems Development Officer position was established. The Systems Development Officer is responsible for maintaining the existing property accounting system and exploring alternative systems. He is studying various property control systems to learn how SSA's system can be improved.

Additional staff has been assigned to DPRM to complete the physical inventory. Prior to our review, one full-time employee was assigned to this task. During our review, five employees were working full time on it.

SSA officials said that they believed that they were moving along well toward completing the physical inventory, considering the size of the task. Except for some minor headquarters' components, all inventories have been started. As of February 1983, 75 percent of the headquarters components had been completed. They believed that the staggered manner in which the inventory is being taken was the least disruptive to SSA's operations. As of June 1983, no firm date for completing the inventory had been established.

Regarding the main warehouse at Middle River, Maryland, SSA officials did not believe it was necessary to have a detailed list of the ready-for-issue property in storage. They explained that it would not be practical to maintain a detailed inventory because certain property, especially furniture, has a fast turnover. They have designated an employee to be responsible for the management of furniture. They believed this method of control was adequate to preclude underutilization or over-procurement.

On the issue of SSA's lack of an inventory of property awaiting disposal, SSA representatives said that the personnel assigned to the task were familiar with the property and its location even without any formal listing. SSA officials agreed that a system should be implemented to follow up on GSA's failure to initiate action on items of property determined to be excess to SSA's needs. Some items have been awaiting disposal action for over a year.

On the matter of accountability surveys, SSA officials believed it was the responsibility of line management to ensure the proper use and disposal of personal property. They felt line management was the best mechanism for identifying personal property that should be turned in and no further action should be taken. However, an SSA official subsequently told us that the surveys now required to be done annually in the field would soon be required at headquarters--sometime in 1983.

In regard to sensitive property, SSA officials said that they did not believe it would be cost effective to establish controls over certain types of sensitive property, such as typewriters. SSA representatives stated that their regulations to control sensitive property were in accordance with overall Federal policy. They are written so as not to be overly restrictive. The intent was to leave control of sensitive property up to the discretion of line management, that is why no common policy is followed by all components. We subsequently learned, however, that the regulations are being revised to require Custodial Officers to obtain signed receipts for sensitive property. All of the regulations dealing with property were being updated and were to be published by the end of October 1982. However, because of printing problems, the publication has been delayed; as of June 1983, no firm date had been established.

CONCLUSIONS

Our examination showed that SSA does not have control over its personal property. SSA has taken actions to remedy some of the deficiencies noted in this report and plans to take additional corrective actions. SSA should continue its efforts to effect good property management, with particular attention directed to achieving better controls over sensitive property to avoid loss or theft.

In addition, we believe SSA should maintain accurate inventories of stored personal property showing what is (1) ready for issue and (2) excess and awaiting disposal rather than relying on employees' familiarity with the property.

RECOMMENDATIONS

We recommend that SSA

--make annual physical inventories of personal property as required by SSA's regulations,

--develop and maintain accurate inventory records of stored personal property,

- adequately coordinate the disposal of excess personal property with the General Services Administration,
- make annual property accountability surveys at SSA headquarters,
- require that Custodial Officers obtain signed receipts when they issue sensitive property, and
- emphasize to property management officials the need for controls over sensitive property to avoid loss or theft.