

September 28, 2007

MEMORANDUM TO: Luis A. Reyes
Executive Director for Operations

FROM: Stephen D. Dingbaum */RA/*
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF
NRC's NON-CAPITALIZED PROPERTY
(OIG-07-A-14)

REFERENCE: EXECUTIVE DIRECTOR FOR OPERATIONS
MEMORANDUM DATED AUGUST 20, 2007

Attached is the Office of the Inspector General's analysis and status of recommendations as discussed in the agency's response dated August 20, 2007. Recommendations 1 through 12 are resolved. Please provide an updated status on the resolved recommendations by February 29, 2008.

If you have any questions or concerns, please contact me on 415-5915.

Attachments: As stated

cc: V. Ordaz, OEDO
M. Malloy, OEDO
P. Tressler, OEDO

**Audit Report
Audit of NRC's Non-Capitalized Property
OIG-07-A-14**

Status of Recommendations

Recommendation 1: Incorporate responsibility for property management into the Senior Executive Service Performance Plan and Appraisal.

Agency Response
Dated August 20, 2007: Agree. The Office of Administration (ADM) will work with the Office of Human Resources to incorporate responsibility for property management into the FY 2009 Senior Executive Service Performance Plans and Appraisals by July 31, 2008.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the final FY 2009 Senior Executive Service Performance Plan and Appraisal and verifies that it incorporates responsibility for property management.

Status: Resolved.

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Status of Recommendations

Recommendation 2: Incorporate property management duties and responsibilities into all property custodian and alternate property custodian performance evaluations.

Agency Response

Dated August 20, 2007: Agree. This has been accomplished by memoranda dated September 25, 2001, and October 10, 2006, (ML062580202), to Office Directors and Regional Administrators in which ADM requested that position descriptions and elements and standards for property custodians be updated to include property custodian duties. Individual offices are responsible to complete this action to revise employee elements and standards. ADM will issue another memorandum to Office Directors and Regional Administrators requesting certification by October 30, 2007, that position descriptions and elements and standards for property custodians have been updated to include property custodian duties.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the Office Directors' and Regional Administrators' certification that position descriptions and elements and standards for property custodians and alternates have been updated to include their duties.

Status: Resolved.

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Status of Recommendations

Recommendation 3: Develop and implement performance measures to provide transparency of inventory results immediately after the physical inventory is taken.

Agency Response
Dated August 20, 2007: Agree. ADM will develop and implement performance measures by January 31, 2008, which will provide transparency of inventory results immediately after the physical inventory is taken.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the final performance measures and verifies that these were applied to the agency's next biennial inventory.

Status: Resolved.

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Status of Recommendations

Recommendation 4: Provide formal periodic mandatory property management training to property custodians and their alternates.

Agency Response
Dated August 20, 2007: Agree. ADM will continue to schedule quarterly meetings with Property Custodians following completion of the Summer Moves of Offices at the Headquarters project. The quarterly meetings will begin on or before January 31, 2008.

OIG Analysis: The proposed corrective action does not fully address the intent of OIG's recommendation. The agency's response does not specifically include language about "mandatory" property management training. This recommendation will be closed when OIG receives and analyzes a list of attendees after the first mandatory training session.

Status: Resolved.

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Status of Recommendations

Recommendation 5: Raise the threshold for recording non-sensitive property in SPMS to \$1,000.

Agency Response

Dated August 20, 2007: Agree. This action will be completed and a new threshold established by January 31, 2008.

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives appropriate documentation evidencing that the threshold for recording non-sensitive property in SPMS was raised to \$1,000.

Status:

Resolved.

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Status of Recommendations

Recommendation 6: Modify NRC Form 395 to include a field for reporting instances to OIS when missing NRC property contains or may contain personally identifiable information.

Agency Response

Dated August 20, 2007: Agree. NRC Form 395 (see Enclosure) was revised to include a statement in Block 11 regarding PII and has been added to the Informs database.

OIG Analysis:

The proposed corrective action does not fully address the intent of OIG's recommendation. First, the revised NRC Form 395 does not include language to account for property that "may" contain personally identifiable information (PII). Second, OIG's analysis indicated that the agency's revision to NRC Form 395 alone will not result in the required reporting to OIS. This is because there is no current agency procedure or mechanism to transfer NRC Form 395 to OIS when missing NRC property contains or may contain PII. However, based on a supplementary response from James Heck on September 7, 2007, ADM will work with OIS to establish a procedure to transfer required NRC Form 395 information to OIS.

This recommendation will be closed when OIG receives a copy of the above referenced ADM/OIS final procedure and a revised NRC Form 395 that also includes language to account for property that "may" contain PII.

Status:

Resolved.

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Status of Recommendations

Recommendation 7: Modify Management Directive 13.1, "Property Management," to reference, where applicable, Management Directive 12.5, "NRC Automated Information Security Program," to include procedures for coordinating with OIS regarding missing property that contains or may contain PII.

Agency Response
Dated August 20, 2007: Agree. ADM will modify Management Directive 13.1 as noted in the recommendation by January 31, 2008.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the final MD 13.1 and determines that it references, where applicable, MD 12.5 to include procedures for coordinating with OIS regarding missing property that contains or may contain PII.

Status: Resolved.

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Status of Recommendations

Recommendation 8: Issue interim guidance to accomplish the intent of Recommendation 7, pending revision of Management Directive 13.1.

Agency Response
Dated August 20, 2007: Agree. ADM will work with OIS to issue a memorandum to office directors containing interim guidance to accomplish the intent of Recommendation 7 by November 30, 2007.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the interim guidance, and verifies that it satisfies the intent of Recommendation 7.

Status: Resolved.

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Status of Recommendations

Recommendation 9: Reemphasize the importance of physical security to both employees and contractors using means such as yellow announcements or posters.

Agency Response

Dated August 20, 2007: Agree. In conjunction with the Office of Nuclear Security and Incident Response, the Office of the Inspector General, and the Office of the Information Services, ADM held a "Security Awareness Day" on May 9, 2007, to emphasize the importance of physical security and other aspects of NRC's security program. ADM will reemphasize the importance of physical security to both employees and contractors through a memorandum to office directors by November 30, 2007.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of and analyzes the agency memorandum to office directors reemphasizing the importance of physical security to both employees and contractors.

Status: Resolved.

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Status of Recommendations

Recommendation 10: Periodically survey NRC buildings to ensure that physical security measures (i.e. locks, latches, door closers, badge readers, etc.) are functioning as intended for rooms containing mission critical equipment.

Agency Response

Dated August 20, 2007: Agree. ADM surveys the NRC's properties (through the use of the contract guard force to conduct roving patrols) and issues security infractions. ADM will issue security infractions by August 31, 2007, for the doors found open by the OIG inspection team.

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. The agency proposes to issue security infractions for the doors found open by OIG, and will continue to survey NRC's properties to ensure that physical security measures are functioning as intended. This recommendation will be closed when OIG receives and verifies evidence (1) that the security infractions were issued, and (2) indicating what the guards survey within NRC property and the frequency of the patrols.

Status:

Resolved.

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Status of Recommendations

Recommendation 11: Collaborate with OIG to modify NRC Management Directive 13.1, "Property Management," to develop a process for notifying the OIG Assistant Inspector General for Investigations of all reports (i.e., Form 395s) of missing sensitive property (regardless of value) and missing non-sensitive property with a current value of at least \$1,000.

Agency Response

Dated August 20, 2007: Agree. ADM will forward all NRC Form 395s with a depreciated value of \$1,000 or more to the OIG. ADM will collaborate with OIG to develop a revision to MD 13.1 to address the handling of Form 395s by January 31, 2008.

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. OIG's analysis indicated that the agency's initial proposed actions alone will not result in the required reporting to the OIG Assistant Inspector General for Investigations. This is because ADM's response only proposed forwarding to OIG reports of missing property with a depreciated value of \$1,000 or more, and not reports with missing sensitive property (regardless of value). However, based on a supplementary response from James Heck on September 7, 2007, ADM will also notify OIG of all reports of missing sensitive property.

This recommendation will be closed when OIG receives a copy of the final MD 13.1, and verifies that it contains an effective process for notifying OIG of all reports of missing sensitive property (regardless of value) and missing non-sensitive property with a current value of at least \$1,000.

Status: Resolved.

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Status of Recommendations

Recommendation 12: Issue interim guidance to accomplish the intent of Recommendation 11, pending revision of Management Directive 13.1.

Agency Response
Dated August 20, 2007: Agree. ADM will issue a memorandum to office directors containing interim guidance to accomplish the intent of Recommendation 11 by November 30, 2007.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the interim guidance, and verifies that it accomplishes the intent of Recommendation 11.

Status: Resolved.