

May 1, 2009

MEMORANDUM TO: Stephen D. Dingbaum
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Darren B. Ash **/RA/**
Deputy Executive Director
for Corporate Management
Office of the Executive Director for Operations

SUBJECT: AUDIT OF NRC'S WAREHOUSE OPERATIONS (OIG-09-A-09)

This responds to your March 31, 2009, memorandum transmitting the subject audit report. The recommendations have been reviewed by the Office of Administration (ADM) and our responses are provided below.

Recommendation 1

Conduct the required safety inspections for the NRC main warehouse and annex.

Response

Agree. The Office of Human Resources conducted a safety inspection of the main warehouse and annex on February 13, 2009, and provided a draft report to ADM (Enclosure 1). The final report is expected to be issued by May 1, 2009. ADM has resolved several items documented in the draft report (e.g., verified that fire extinguishers have been tested, tested eyewash stations, removed combustibles from the exit stairwells and verified that burned out lights were replaced). We will resolve the remaining open findings in the timeframes recommended in the final inspection report.

Target Completion Date: January 29, 2010

Recommendation 2

Conduct the required security survey of the NRC annex.

CONTACT: Rodney Jarvis, ADM/ADSC/PLSB
(301) 415-0214

Response

Agree. The Federal Protective Service (FPS) is responsible for performing security surveys/assessments of Federally leased facilities on a cyclical schedule. ADM has coordinated with FPS to have them conduct the required assessment.

Target Completion Date: August 3, 2009

Recommendation 3

Designate the headquarters security guard staff to monitor and operate the warehouse video surveillance system.

Response

Agree. There are no full-time security personnel at the warehouse. A roving security officer checks the warehouse facility three times per day as part of their regular patrol, and responds to any alarms received from the intrusion detection system at the warehouse.

The Video Home System (VHS) time-lapse video recorder has been replaced with a digital video recorder (DVR). The advantages of the DVR include password protection for control of the unit and access to the recordings and eliminating the need to replace tapes. On March 30, 2009, the NRC Security Officer Post Orders for the Mobile Rover (Enclosure 5) were revised and currently specify that the security officer will conduct a functional check of the warehouse DVR and review previously recorded warehouse activity. When responding to alarms, the recordings will be reviewed by the responding security officer. The warehouse staff will not have access to the equipment since the DVR is password protected and controlled by security.

The new DVR equipment was installed on March 26, 2009. ADM considers this recommendation closed.

Recommendation 4

Maintain the agency's dBase III system application until location information for all agency property stored in the warehouses is reflected in the SPMS [Space and Property Management System].

Response

Agree. The dBase III system will continue to be used until all warehouse location data can be transferred to either the SPMS or a modern spreadsheet or database application (see the response to Recommendation 5 below).

Target Completion Date: August 3, 2009

Recommendation 5

Use only SPMS to identify property locations in the warehouse.

Response

Disagree, in part. All items in the warehouse that are above the \$1,000 acquisition cost threshold are captured in SPMS, consistent with our response to Recommendation 5 of OIG Audit 07-A-14, "Audit of NRC's Non-Capitalized Property," which stated, "Raise the threshold for recording non-sensitive property in SPMS to \$1,000." Transitioning the warehouse locator system to SPMS would require modification of SPMS so that required management reports currently available can be produced in SPMS. The warehouse staff is currently examining the feasibility of using Microsoft Access or Excel to produce the necessary management reports with a smaller expenditure of resources than modifying SPMS. This assessment will be completed by August 3, 2009.

Target Completion Date: August 3, 2009

Recommendation 6

Develop and implement a procedure for the timely and accurate recording of property movements.

Response

Agree. After careful consideration, ADM found that the current procedures for recording property movements are timely and accurate but are not well documented. When property is transferred from a sub-account to the warehouse (this is usually excess or unserviceable property), an NRC Form 30 is generated and used as an interim receipt to maintain a chain-of-custody until the transfer is processed in SPMS.

As noted in the subject audit, this process involves both the physical movement of property from a sub-account to the warehouse and the processing of the transaction in SPMS, and it takes several days to complete. However, the interim receipt maintains accountability of the property until the transfer is processed in SPMS. The Federal regulations cited in the audit do not require that transactions occur instantaneously, but rather "timely." Since the process utilizes an interim receipt and SPMS is updated within three business days after the Form 30 is received, we believe the current system is adequate.

ADM plans to update its written procedures to ensure the process for timely and accurate recording is clear.

Target Completion Date: August 3, 2009

Recommendation 7

Produce periodic reports to facilitate accountability and control of warehouse property.

Response

Agree. While the SPMS has the capability to produce reports, they are difficult to use. These reports have been re-instituted until more user friendly report formats can be developed (Enclosure 2). ADM considers this recommendation closed.

Recommendation 8

Require the Project Manager and alternate to fulfill NRC's initial and recertification mandatory training requirements for Project Managers.

Response

Agree. The Project Manager and alternate had received initial training but due to an oversight did not receive recertification. Both the Project Manager and alternate currently have their certifications up to date (Enclosure 3). ADM considers this recommendation closed.

Recommendation 9

Modify the security cage and/or the placement of storage racks in the main NRC warehouse to prevent easy access to sensitive property stored inside the security cage.

Response

Agree. An NRC Form 30 (Enclosure 4) requesting the recommended modification to the security cage has been submitted to ADM's Division of Facilities and Security. It is expected that construction will be completed by the end of this fiscal year.

Target Completion date: October 2, 2009

Enclosures:

1. Safety Inspection of the NRC warehouses
2. Example of a periodic report of warehouse property in SPMS
3. Copies of Program Manager and alternate certifications
4. Copy of NRC Form 30 request for cage extension
5. U.S. NRC Security Officer Post Orders – Mobile Rover

cc: Chairman Klein
Commissioner Jazko
Commissioner Lyons
Commissioner Svinicki
SECY

Recommendation 8

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Enclosure 3

Copies of Program Manager and Alternate Certifications

Enclosure 4

Copy of NRC Form 30 Request for Cage Extension

Enclosure 1

Safety Inspection of the NRC Warehouses

Enclosure 2

Example of a periodic report of warehouse property in SPMS

Enclosure 5

U.S. Nuclear Regulatory Commission Security Officer
Post Orders – Mobile Rover