



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

OFFICE OF THE
INSPECTOR GENERAL

June 9, 2009

MEMORANDUM TO: R. William Borchardt
Executive Director for Operations

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

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

REFERENCE: DEPUTY EXECUTIVE DIRECTOR FOR CORPORATE
MANAGEMENT MEMORANDUM DATED MAY 1, 2009

Attached is the Office of the Inspector General's analysis and status of recommendations 1-9 as discussed in the agency's response dated May 1, 2009. Based on this response, recommendations 1, 3, 7, and 8 are closed and recommendations 2, 4, 5, 6, and 9 remain in resolved status. Please provide an updated status of the resolved recommendations by November 30, 2009.

If you have any questions or concerns, please contact me at 415-5915 or Steven Zane, Team Leader, at 415-5912.

Attachments: As stated

cc: V. Ordaz, OEDO
J. Arildsen, OEDO
P. Shea, OEDO

Audit Report

AUDIT OF NRC'S WAREHOUSE OPERATIONS

OIG-09-A-09

Status of Recommendations

Recommendation 1: Conduct the required safety inspections for the NRC main warehouse and annex.

Agency Response
Dated May 1, 2009:

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

OIG Analysis: OIG reviewed the documentation provided by ADM that the Office of Human Resources conducted a safety inspection of the main warehouse and annex on February 13, 2009. This satisfies the recommendation. Therefore, this recommendation is closed.

Status: Closed.

Audit Report

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Status of Recommendations

Recommendation 2: Conduct the required security survey of the NRC annex.

Agency Response
Dated May 1, 2009:

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

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 security survey of the NRC annex.

Status: Resolved.

Audit Report

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Status of Recommendations

Recommendation 3: Designate the headquarters security guard staff to monitor and operate the warehouse video surveillance system.

Agency Response
Dated May 1, 2009:

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.

OIG Analysis: OIG reviewed the response provided by ADM that designates an NRC security officer to monitor and operate the warehouse video surveillance system. This satisfies the recommendation. Therefore, this recommendation is closed.

Status: Closed.

Audit Report

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Status of Recommendations

Recommendation 4: Maintain the agency's dBase III system application until location information for all agency property stored in the warehouses is reflected in SPMS.

Agency Response
Dated May 1, 2009:

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

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives documentation and verifies that location information for all agency property stored in the warehouses is reflected in SPMS and the dBase III system application is discontinued.

Status:

Resolved.

Audit Report

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Status of Recommendations

Recommendation 5: Use only SPMS to identify property locations in the warehouses.

Agency Response
Dated May 1, 2009:

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

OIG Analysis:

The agency response does not clarify whether location information for all sensitive property regardless of cost and for non-sensitive property that is greater than or equal to \$1,000 will be included in SPMS. However, provided the agency's feasibility assessment yields a solution to identify warehouse property locations for all warehouse property, the agency's proposed corrective action plan addresses the intent of this recommendation. This recommendation will be closed when the agency provides evidence that action has been implemented to address the intent of the recommendation.

Status:

Resolved.

Audit Report

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Status of Recommendations

Recommendation 6: Develop and implement a procedure for timely and accurate recording of property movements.

Agency Response
Dated May 1, 2009:

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

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and reviews documentation of ADM's procedure for timely and accurate recording of property movements.

Status: Resolved.

Audit Report

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Status of Recommendations

Recommendation 7: Produce periodic reports to facilitate accountability and control of warehouse property.

Agency Response
Dated May 1, 2009:

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.

OIG Analysis:

OIG reviewed the documentation provided by ADM that includes an example of a periodic report of warehouse property in SPMS. This satisfies the recommendation. Therefore, this recommendation is closed.

Status:

Closed.

Audit Report

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Status of Recommendations

Recommendation 8: Require the Project Manager and alternates to fulfill NRC's initial and recertification mandatory training requirements for Project Managers.

Agency Response
Dated May 1, 2009:

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.

OIG Analysis:

OIG reviewed the certifications for the Project Manager and alternate provided by ADM. The certifications are now up-to-date. This satisfies the recommendation. Therefore, this recommendation is closed.

Status:

Closed.

Audit Report

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Status of Recommendations

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.

Agency Response
Dated May 1, 2009:

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

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when the construction modification to the security cage in the main NRC warehouse is completed and verified by OIG.

Status:

Resolved.