



U.S. Department of Energy
Office of Inspector General
Office of Inspections and Special Inquiries

Inspection Report

Control and Accountability of Emergency Communication Network Equipment




Department of Energy

Washington, DC 20585

September 24, 2004

MEMORANDUM FOR THE SECRETARY

FROM:


Gregory H. Friedman
Inspector General

SUBJECT:

INFORMATION: Inspection Report on "Control and Accountability of Emergency Communication Network Equipment"

BACKGROUND

The Department of Energy's Emergency Communication Network (ECN) is a high-speed, global, emergency communications network that supports the exchange of classified and unclassified voice, data, and video information for managing national emergencies, as well as emergencies involving the Department's facilities and operations. The ECN currently connects the Department's Headquarters to 28 sites, including other Federal agencies and the Russian Federation's Ministry of Atomic Energy in Moscow.

The ECN is managed by the National Nuclear Security Administration's Office of Emergency Operations Support, which uses various computer and related equipment to perform the ECN mission. Bechtel Nevada has contractual responsibility for managing ECN property. The objective of our inspection was to determine if accountability and internal controls for ECN computer equipment were adequate.

RESULTS OF INSPECTION

We identified internal control weaknesses that could undermine the Department's ability to ensure that ECN computer equipment is properly accounted for and inventoried. There are two property management databases that track ECN property. The Sunflower Assets System, which is used by the Department's Headquarters to record the receipt, tagging, and inventory control of the equipment, and a separate database for ECN property that was established by Bechtel Nevada. We found that Headquarters property management personnel and Bechtel Nevada personnel had not, as required:

- Recorded all ECN computer equipment in their respective property management databases, thus the databases were materially inconsistent and they had not been reconciled;
- Performed required property inventories; and,



- Properly documented loans of ECN equipment.

During our inspection, we learned of plans to increase the number of sites connected to the ECN and to upgrade the system with new computers. Although the focus of our inspection was on internal controls for existing ECN computer equipment, we identified accountability, inventory control, and loan processing as areas where safeguards should be strengthened as new computers are added to the system.

MANAGEMENT REACTION

We made several recommendations to Department management to ensure that ECN computer equipment is appropriately inventoried and controlled. Management generally agreed with our report and recommendations, and has initiated corrective actions.

We found management's comments to be responsive to our recommendations.

Attachment

cc: Deputy Secretary

Administrator, National Nuclear Security Administration
Under Secretary for Energy, Science and Environment
Associate Administrator for Management and Administration
Associate Administrator for Emergency Operations
Director, Office of Management, Budget, and Evaluation/Chief Financial Officer
Director, Office of Security and Safety Performance Assurance
Director, Policy and Internal Controls Management
Office of Program Liaison and Financial Analysis

CONTROL AND ACCOUNTABILITY OF EMERGENCY COMMUNICATION NETWORK EQUIPMENT

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Overview

INTRODUCTION AND OBJECTIVE

The Department of Energy's (DOE) Emergency Communication Network (ECN) is an important national asset established to provide a world-class, state-of-the-art, high-speed, global emergency communications network. The ECN supports the exchange of classified and unclassified voice, data, and video information for managing situations involving DOE assets and interests, and for national emergencies.

Prior to June 27, 2004, DOE's Office of Operations Support, Office of Security and Safety Performance Assurance, was responsible for managing the ECN. On that date, the Office was transferred to the National Nuclear Security Administration (NNSA) and renamed the Office of Emergency Operations Support. The Office of Emergency Operations Support uses various computer and other related equipment to perform the ECN mission. Bechtel Nevada (Bechtel) has contractual responsibility for managing ECN property.

The ECN currently connects DOE Headquarters to 28 sites, to include eight DOE field offices, four national laboratories, selected DOE support facilities and other federal agencies. These agencies include the Federal Bureau of Investigation's (FBI) Critical Incident Response Group and the National Infrastructure Protection Center; the Nuclear Regulatory Commission; and the Department of Homeland Security. The Russian Federation's Ministry of Atomic Energy in Moscow is also connected to the ECN.

The objective of this inspection was to determine if accountability and internal controls for ECN computer equipment were adequate.

Recent Office of Inspector General (OIG) reports address the need to improve accountability and internal controls over DOE computers. These reports are listed in Appendix B.

OBSERVATIONS AND CONCLUSIONS

Since the Office of Operations Support and Headquarters property management personnel had not established effective oversight of the property inventory system to account for ECN computer equipment, Bechtel was tasked in June 2002 to establish a separate property control database for ECN computer equipment. Although positive steps have been taken since June 2002 to account for ECN computer equipment, we identified internal control weaknesses that could undermine DOE's ability to ensure that ECN computer equipment is properly accounted for and inventoried. Specifically, we found that DOE Headquarters property management personnel and Bechtel had not, as required:

- recorded all ECN computer equipment received by DOE Headquarters in property management databases;
- performed property inventories; and
- properly documented loans of ECN equipment.

During our fieldwork we learned that the Office of Operations Support had initiated a program to increase the number of sites connected to the ECN and to upgrade the system with new computers. While our inspection focused on internal controls and accountability with respect to existing ECN computer equipment, we identified accountability, inventory control, and loan processing as areas where safeguards should also be strengthened as new computers are added to the system.

Details of Findings

PROPERTY ACCOUNTABILITY

We found that neither Headquarters property management personnel nor Bechtel had recorded all ECN computer equipment purchased by DOE Headquarters in property management databases. There are two property management databases that track ECN computer equipment, specifically desktop and laptop computers, servers, and workstations, which are procured for the Office of Operations Support. The ECN computer equipment is first received at DOE Headquarters by the Assets Management and Support Services Group, Office of Administration, for property control purposes before it is provided to users. The Assets Management and Support Services Group uses the Sunflower Assets System for its receipt, tagging, tracking, inventory, and disposal activities for equipment procured by DOE Headquarters. Bechtel, under contract with the Office of Operations Support to manage ECN computer equipment, maintains its own separate property database for ECN equipment.

The Department's property regulations, Title 41, Code of Federal Regulations, Part 109, requires "sensitive items," such as computer equipment, to be recorded and tracked in the appropriate property management database. In accordance with the DOE property regulations, records must be maintained for accountable Government personal property, such as computer equipment, that is in the hands of contractors or used by DOE personnel. This includes recording the asset type, description of items, unit acquisition cost, location, and assigning a property control number.

We determined that not all computer equipment purchased for the ECN was recorded in the Sunflower Assets System, identified as sensitive items, and assigned property numbers for accountability and control as required. During discussions with Office of Operations Support officials, we learned that some ECN computer equipment deliveries were made directly to the users, and not to the Assets Management and Support Services Group. Consequently, these items were not properly processed and entered into the Sunflower Assets System. We also determined that the Bechtel property database did not include all the ECN property. As a result, some ECN computer equipment was not properly accounted for or controlled.

Our review of DOE Headquarters and Bechtel property records for ECN computer equipment identified the following:

- 224 ECN computers were listed in the Sunflower Assets System and assigned to the Office of Operations Support. However, at the time of our review, Bechtel's database listed only 95 ECN computers.
- 21 of 37 computers (57 percent) randomly selected from the 95 ECN computers listed in Bechtel's database were not listed in the Sunflower Assets System.
- The Sunflower Assets System was not always updated when employees were relocated or equipment reassigned. For example, we identified one individual at DOE Headquarters who had left DOE in December 2001, yet still had 13 computers assigned in his name; a second individual who retired in 2001, yet still had 14 computers assigned in his name; and a third individual who was no longer with DOE, yet still had 14 computers assigned in his name.

EQUIPMENT INVENTORIES

We found that neither Headquarters property management personnel nor Bechtel had performed required property inventories of ECN computer equipment. According to Federal property regulations, physical inventories of all sensitive items, such as computer equipment, are required to be performed annually and the results reconciled with property records and applicable financial control accounts. We were told by a senior Headquarters Property Management official that annual inventories of ECN equipment had not been conducted since 2001 because of various administrative issues, such as problems in implementing the Sunflower Assets System, organizational realignments, and staffing reductions.

DOE Inventory

Prior to our review, the latest inventory conducted by the DOE Headquarters Property Management Team of sensitive personal property listed in the Sunflower Assets System, including ECN equipment assigned to the Office of Operations Support, was May 2001. At that time, a reconciliation of inventory discrepancies was performed. We noted that the Department was not able to locate 390 line items valued at over \$2.24 million. The 390 missing items included 104 items of missing ECN computer equipment. We were advised that no actions were taken by the DOE Headquarters Property Management Team to locate the missing items, even though ECN activities involve sensitive and classified information.

We determined that 14 of the missing 104 items of ECN computer equipment had been approved for processing classified information. At our request, the Office of Operations Support showed us the 14 items. We did not identify any issues regarding possible compromise of classified or sensitive material. Nevertheless, we are concerned that existing internal controls did not provide assurance that the 104 items of ECN computer equipment were properly controlled and accounted for between the time of the Headquarters inventory in 2001 and our inspection.

According to the Headquarters Property Management Team Leader, an inventory of ECN property was scheduled to begin during the first part of Calendar Year 2004, and take eight months to complete. Therefore, we did not attempt to locate the remaining 88 items of missing computer equipment. However, as of August 2004, the inventory had not been initiated.

Bechtel's Inventory

A Bechtel official advised that a Bechtel database that was separate from the Sunflower Assets System was needed to improve control over the inventory of ECN equipment. A Bechtel database was developed in June 2002, and in July 2003 Bechtel asked each site with ECN equipment to assist with conducting an inventory to verify the accuracy of its database. However, some sites did not initially respond to the inventory request, while others provided responses that were not annotated to reflect the results of their inventory.

Our review of Bechtel's inventory of the ECN sites disclosed the following:

- inventory listings returned by the ECN sites were not signed by account or property custodians accepting responsibility for the property;
- an official at one site verified that 15 of 25 items were on hand, but provided no explanation regarding the remaining 10 items, which included one item approved to process classified information; and
- an official at another site verified that 10 of 21 items were on hand, but the remaining 11 items were listed as "in question" or "do not have."

We were advised that Bechtel was directed by the Office of Operations Support to perform an additional physical inventory of all ECN property. We were told that this additional inventory is to be completed by the end of Fiscal Year 2004.

PROPERTY LOAN DOCUMENTS

We found that neither DOE Headquarters property management personnel nor Bechtel properly documented loans of ECN equipment to other locations.

DOE and Federal requirements allow Government-owned personal property to be loaned for official purposes. However, the loan request must be made on the proper form or written equivalent, and must state specifically the purpose of the loan and period of time required. When approved, a memorandum transmitting the loan agreement must be prepared identifying the loan period, delivery time and point of delivery, and other information, to ensure proper control and protection of DOE property.

ECN property was loaned to DOE as well as non-DOE agencies, such as the FBI and the Federal Emergency Management Agency. However, when we asked for copies of the required loan documentation, DOE and Bechtel officials were not able to provide the documents.

RECOMMENDATIONS

We recommend the Associate Administrator for Emergency Operations, NNSA:

1. Ensure that ECN property is properly controlled and required inventories are conducted;
2. Require Bechtel to reconcile its property management database with the Headquarters database to ensure accountability of all computer equipment;
3. Ensure that required documentation is prepared to support the loan of ECN equipment; and
4. Provide a certified inventory of ECN property to the Office of Administration.

We also recommend the Director, Office of Administration:

5. Modify DOE property management systems and processes as necessary to ensure effective control of Headquarters property.

**MANAGEMENT
COMMENTS**

Management concurred with the recommendations. We have included management's comments in Appendix C.

**INSPECTOR
COMMENTS**

We found management's comments to be responsive to our recommendations.

Appendix A

SCOPE AND METHODOLOGY

We reviewed the management of and internal controls over Emergency Communication Network equipment. We identified and reviewed applicable Federal and DOE policy and regulations and other key documents applicable to the inspection. We interviewed Federal and contractor staff assigned to DOE Headquarters, the Nevada Support Facility, and the Savannah River Site. This inspection was conducted in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency.

As part of our review, we also evaluated the Department’s implementation of the Government Performance and Results Act of 1993. The Department’s Annual Performance Plan for Fiscal Year 2003 did not contain specific performance data addressing property management for the ECN project. However, there were objectives and goals related to Corporate Management. One Corporate Management performance goal was to develop strategies and policies governing the protection of national security and other critical assets entrusted to the DOE. Also, included was a goal to manage security operations for DOE facilities in the national capital area. During our inspection, we identified accountability, inventory, and loan processing, as areas where controls could be strengthened related to the accountability and controls of computer equipment used for the ECN project.

Appendix B

RECENT REPORTS

The OIG has recently issued the following reports addressing accountability and internal controls over personal computers:

- Interim Inspection Report on *“Inspection of Internal Controls Over Personal Computers at Los Alamos National Laboratory,”* DOE/IG-0597, April 2003, reported weaknesses that undermined confidence in the control and safeguard of computers.
- *“Audit of Management of Sensitive Equipment at Selected Locations,”* DOE/IG-0606, June 2003, reported that improvements were needed in the accountability of computers and other sensitive equipment at selected DOE locations.
- *“Inspection of Internal Controls Over Laptop and Desktop Computers at the Savannah River Site,”* INS-L-03-09, July 2003, found that improvements were needed in computer accountability documentation.
- *“Inspection of Internal Controls Over Classified Computers and Classified Removable Media at the Lawrence Livermore National Laboratory,”* DOE/IG-0628, December 2003, reported that computer equipment and removable media were not subjected to required inventories.
- *“Inspection of Internal Controls Over Personal Computers at the Los Alamos National Laboratory,”* DOE/IG-0656, August 2004, reported that strict property controls needed to be consistently applied to classified and unclassified computers
- *“Inspection of Internal Controls Over the Accountability of Computers at Sandia National Laboratory, New Mexico,”* DOE/IG-0660, August 2004, reported that internal controls over classified and unclassified desktop, laptop, and related computer equipment could be improved.

Appendix C

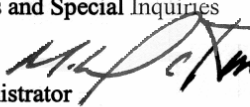


Department of Energy
National Nuclear Security Administration
Washington, DC 20585



SEP 02 2004

MEMORANDUM FOR Alfred K. Walter
Acting Assistant Inspector General
for Inspections and Special Inquiries

FROM: Michael C. Kane 
Associate Administrator
for Management and Administration

SUBJECT: Comments to Revised IG Draft Report on
Emergency Communications Network

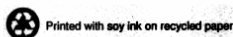
The National Nuclear Security Administration (NNSA) appreciates the opportunity to submit these comments to the Inspector General's (IG) revised draft Inspection Report. We appreciate the IG considering our previous submittal and incorporating NNSA's comments appropriately.

NNSA is in general agreement with the report and the corresponding recommendations. We are submitting additional technical comments for inclusion prior to the issuance of the final report.

Should you have any questions, please contact Richard Speidel, Director, Policy and Internal Controls Management, at 202-586-5009.

Attachment

cc: Robert Braden, Senior Procurement Executive
Joseph J. Krol, Associate Administrator for Emergency Operations
Karen Boardman, Director, Service Center





Department of Energy

Washington, DC 20585

September 2, 2004

MEMORANDUM TO GREGORY FRIEDMAN
INSPECTOR GENERAL

FROM:

James T. Campbell
SUSAN J. GRANT
DIRECTOR, OFFICE OF MANAGEMENT, BUDGET
AND EVALUATION/CHIEF FINANCIAL OFFICER

SUBJECT: Draft Inspection Report

I have reviewed the Draft Inspection Report from the Office of the Inspector General entitled "Control and Accountability of Emergency Communication Network Equipment." Included in this draft report are a number of recommendations, one of which is to the Director, Office of Administration. The recommendation suggests that we "modify DOE property management systems and processes as necessary to ensure effective control of the Headquarters property." I concur with the recommendation as stated and request that our concurrence be included in the final report.

Please contact Brian Costlow, Director, Office of Administration on (202) 586-5710 if you have any questions.



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2. What additional information related to findings and recommendations could have been included in the report to assist management in implementing corrective actions?
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