



U.S. Department of Energy  
Office of Inspector General  
Office of Audit Services

# Audit Report

## Management Controls over the Bonneville Power Administration's Personal Property Accountability

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October 2007



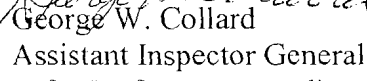
## Department of Energy

Washington, DC 20585

October 1, 2007

MEMORANDUM FOR THE ADMINISTRATOR, BONNEVILLE POWER ADMINISTRATION

FROM:

  
George W. Collard  
Assistant Inspector General  
for Performance Audits  
Office of Inspector General

SUBJECT:

INFORMATION: Audit Report on "Management Controls over the Bonneville Power Administration's Personal Property Accountability"

### BACKGROUND

Bonneville Power Administration (Bonneville) is responsible for marketing, selling, and transmitting power produced from the Federal Columbia River Power System. To fulfill this mission, Bonneville utilizes numerous personal property assets and is the entity responsible for establishing its property management policies and procedures. These include Bonneville's Personal Property Instructions for managing and controlling personal property that support business operations. Bonneville uses Sunflower software to record information on select personal property, specifically, those assets with an acquisition cost greater than or equal to \$1,000 (excluding office furniture, accessories, and appliances). These assets include sensitive items, regardless of acquisition cost, that are vulnerable to loss, theft, or misuse, including computers.

As of December 20, 2006, Bonneville tracked over 17,600 personal property assets with a total acquisition cost of approximately \$78 million through the Sunflower system. Because of the value and sensitivity of the assets recorded in the Sunflower system, we initiated this audit to determine whether Bonneville had effective controls over its personal property.

### RESULTS OF AUDIT

Bonneville did not have effective controls over its personal property tracked through the Sunflower system. Specifically, we found that Bonneville had not always ensured that:

- Equipment susceptible to loss or theft such as leased computers was entered into accountability;
- Inventory information accurately identified the property's location;
- The existence of items transferred from one property custodian to another was validated; and,
- Inconsistencies in lost or stolen property information were reconciled.



For example, asset information for approximately 600 leased computers was not entered in Bonneville's Sunflower accountability system until we brought the matter to Bonneville's attention. These computers had been stored for almost six months in a warehouse before the asset information was recorded in the Sunflower system. In another instance, we noted that 3,516 (92 percent) of the 3,836 information technology items at two locations were not recorded in the Sunflower software even though it is the official inventory repository for such assets. Instead, the two locations used local systems to record the inventory. We also noted that the Sunflower software contained the location of personal property at sites that had been closed for nearly a year, even though all property had been removed.

Bonneville did not have effective controls over personal property due to a lengthy corrective action approval process, weaknesses in implementing training, and lack of input controls for location information in the Sunflower system. Specifically, Bonneville took more than a year to formally approve implementation of some actions to address previously identified weaknesses in the Sunflower system. In addition, management did not always ensure that training was effectively utilized by employees. Further, the design of Sunflower's data fields permitted the recording of incomplete, inaccurate, and inconsistent location information. To its credit, Bonneville has undertaken initiatives to increase the accountability of property management personnel and combine multiple asset tracking systems. However, further action is needed to ensure that the weaknesses identified in this report are fully addressed.

Without more effective controls over personal property, Bonneville is at continued risk of property losses. For example, during Calendar Years 2004 through 2006, Bonneville had lost or stolen property with an acquisition cost averaging approximately \$700,000 per year, including 130 computers. Conversely, with improved controls Bonneville may be able to reduce its losses of such vital personal property.

### MANAGEMENT REACTION

Management generally agreed with the audit recommendations, but offered some suggested revisions to the recommendations. In addition, management expressed its view that its property losses are lower than similarly sized utilities and suggested some revisions to the body of the report. Management's concerns have been addressed in the report as appropriate. Management's comments are included in their entirety in Appendix 3.

#### Attachment

cc: Deputy Secretary  
Under Secretary of Energy  
Chief of Staff  
Team Leader, Audit Liaison Team, CF-1.2  
Bonneville Power Administration Liaison Office  
Audit Liaison, Bonneville Power Administration

**REPORT ON MANAGEMENT CONTROLS OVER BONNEVILLE POWER  
ADMINISTRATION'S PERSONAL PROPERTY ACCOUNTABILITY**

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# PERSONAL PROPERTY ACCOUNTABILITY

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## **Property Controls**

Bonneville Power Administration (Bonneville) did not have effective controls over its personal property tracked through the Sunflower system. Specifically, we found that (1) equipment susceptible to loss or theft was not always entered into accountability; (2) inventory location information was not always accurate; (3) the existence of personal property items was not always validated when being transferred from one custodian to another; and, (4) inconsistencies in records regarding lost or stolen property were not reconciled.

### Equipment Accountability

The existence of personal property susceptible to loss or theft was not always accounted for by Bonneville. We found that approximately 600 (40 percent) of 1,500 leased computers received by Bonneville had been stored in a warehouse for nearly six months without the asset information being recorded in its Sunflower accountability system. Bonneville officials subsequently informed us that they recorded the information for these computers after we brought the situation to their attention. In other cases, we noted that:

- 3,516 (92 percent) of 3,836 information technology (IT) property items at two locations were not recorded in Sunflower, although local site managers tracked their existence in separate databases; and,
- One custodian had not tagged and recorded personal property purchased during the past three years. Specifically, property items susceptible to loss or theft, including a welder with an estimated acquisition cost of \$2,400, were not marked with a Bonneville property tag and recorded in the accountability system. Upon further discussion with officials currently responsible for this inventory, the exact number and acquisition cost of the unrecorded assets was unknown. However, Bonneville is currently working on accumulating the information for inclusion in Sunflower.

### Inventory Accuracy

Not all personal property location information was accurately recorded in the Sunflower system. Specifically, we found that Sunflower records showed:

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- 47 personal property items with a total acquisition cost of \$77,771 located at three sites, although these sites had closed around September 2006, and property personnel confirmed that all items had been removed.
  - Location information for 138 (36 percent) of 382 items tested at Portland Headquarters was not accurate.

#### Validating Existence of Property Items

Some Bonneville custodians did not validate the existence of inventory items prior to accepting stewardship for the items when transferred from other custodians. For example, two custodians explained that the locations of property items we had selected for testing were unknown, since they had not validated the existence of property items each had accepted. We observed another custodian accepting an asset into his Sunflower inventory without physically locating it.

#### Reconciling Inconsistencies

Inconsistent information about lost or stolen property was not reconciled by Bonneville. Specifically, we found that 72 assets listed in a Property Loss Report log were not tracked in the accountability system. Such tracking is important for management analysis and investigation of missing property.

### **Property Management And Implementation**

Bonneville did not always have effective controls over personal property due to a lengthy corrective action approval process, weaknesses in implementing training, and lack of input controls for location information in Sunflower. Specifically, previously identified weaknesses in Sunflower have not been corrected. In addition, management did not ensure that custodians effectively utilized available training. Further, the design of Sunflower's data fields permitted the recording of incomplete, inaccurate, and inconsistent location information.

#### Corrective Action Process

Bonneville management initiated a corrective action approval process that turned out to be lengthy. For Calendar Years (CY) years 2004 through 2006, Bonneville's Internal Audit Department, along with personal property personnel, completed reviews of Sunflower as requested by the Organizational Property Management Officer (OPMO) responsible for overseeing personal property management. The reviews identified weaknesses in

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Sunflower data reliability, including asset location information. Remedial actions were proposed and adopted by program management in February 2006 to address September 2005 internal audit findings, using a Bonneville efficiency review process known as the Enterprise Process Improvement Program. However, final approval of corrective action implementation plans was not given by senior executive management until June 2007. Part of this delay was attributed to external factors that affected the approval of the actions. To its credit, Bonneville designed these actions to increase custodian accountability by proposing to (1) incorporate property management activities into managerial performance contracts; and, (2) hire new OPMO staff to conduct compliance reviews of the property operation.

Management disagreed that a lengthy corrective action approval process accounted for Bonneville not always having effective controls over personal property. However, as discussed above, known property management weaknesses were not corrected for over one year as corrective action plans were reviewed and approved by management through the Enterprise Process Improvement Program process.

Although Bonneville has acted to improve its property management controls, additional actions are needed to ensure that property control weaknesses identified in this report are corrected. For example, other controls, such as an independent physical validation that inventories are properly conducted and the existence of items is validated at the time of property transfer, still needs to be addressed. Specifically, we found that management had relied upon the results of both the annual and physical inventories that were to be conducted by the custodians or the completion of inventories when property was transferred among custodians. Based on the ability of custodians to record inventory observation without independent validation, there was no assurance that the physical inventories were conducted or that the assets listed in Sunflower were physically located at Bonneville's complex. This weakness is further evident by the three custodians previously noted who simply accepted inventory in Sunflower without validating its existence.

Also, even though Sunflower was designated as the official repository for all IT property, Bonneville did not ensure that it included all IT assets. In the summer of 2006, management approved a recommendation to work towards transitioning Bonneville's separate IT property databases to Sunflower. However, the migration of the databases to Sunflower is not

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scheduled to be fully implemented until fiscal year 2008. Therefore, there is no assurance that new IT equipment will be entered into Sunflower prior to the transition.

#### Utilization of Training

Training provided by Bonneville was not effectively utilized by custodians. When asked about the adequacy of training, 14 (29 percent) of 48 custodians replied that they had not received any training or that the training received was not adequate to understand their roles and responsibilities. Bonneville officials informed us that no custodian had been granted access to the Sunflower system without completing training required for new custodians and that there was a standing offer to custodians of one-on-one training with property management officials at the custodian's request. However, the custodian responses above indicate that management needs to do more to ensure that employees effectively utilize available training.

#### Input Controls Over Location Information

Sunflower is not configured to facilitate identifying the specific location of personal property items in a consistent manner. Specifically, the data fields used to record sub-locations are not controlled or limited to certain options to permit the consistent and/or accurate recording of location information. For example, while the system provides a drop-down list of sub-location options, it also allows the custodian to manually enter different information or no sub-location. We also found that 30 (14 percent) of the 220 site codes should not have been used because they represented, among other things, closed sites or duplicative sites.

### **Accountability of Personal Property**

Without more effective controls over personal property, Bonneville is at continued risk of property losses. Specifically, over the three year period CY 2004 through 2006, Bonneville's lost or stolen personal property had an average acquisition cost of approximately \$700,000 per year. This property included operational items such as meters, testing equipment, hydraulic pumps, and generators, as well as vulnerable items with potential market value such as computers, printers, cameras, and portable radios. Conversely, with improved controls Bonneville may be able to reduce its losses of such vital personal property.

### **RECOMMENDATIONS**

We recommend that the Administrator, Bonneville Power Administration, direct officials responsible for property management and systems development to:



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1. Ensure that program actions address weaknesses identified in the controls over personal property, including:
    - a. Timely entry of personal property information into Sunflower and reconciliation of inconsistent information regarding lost or stolen property;
    - b. Increased use of property compliance assessments to physically validate that inventories are properly conducted and items are physically located before being accepted as transferred items in Sunflower;
    - c. Ensuring that all new IT assets are entered into Sunflower in a timely manner by all BPA organizations currently using the system;
    - d. Ensuring that all BPA organizations migrate to using Sunflower in accordance with the Enterprise Process Improvement Program initiative project schedule; and,
    - e. Periodically validating the timeliness of IT asset migration into Sunflower.
  2. Establish and implement a training schedule for property personnel for initial and refresher training in Sunflower to ensure that asset location information is complete, accurate, and consistently recorded.
  3. Review and identify the appropriate controls over entering item location information in Sunflower and ensure that Sunflower is updated to correct any weaknesses identified during the review.

## **MANAGEMENT REACTION**

Management pointed out that Bonneville's property losses are lower than similarly sized utilities. However, Bonneville management recognized that opportunities existed to improve property management controls. Management generally agreed with our recommendations but suggested a number of minor revisions. Specifically, management stated that it would ensure timely entry of personal property information into Sunflower by inserting property management elements in manager contracts, and through additional training, a property communication program, and a written acceptance procedure for portable electronic equipment. In addition, management plans to make greater use of

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training and compliance assessments for independent validation of inventories and the physical location of items before custodial transfer is acceptable. Further, management plans to ensure the timely recording of IT assets in Sunflower by training and periodic compliance reviews. Also, Bonneville stated that it has scheduled Sunflower training that includes a range of training methods, including hands on training. Finally, Bonneville's proposed actions to address weaknesses in the entry of location information in Sunflower.

Management asserted that there were no inconsistencies between the Sunflower system and official property lost or stolen reports. Management stated that it believes the issue is not significant because it is based on a comparison of information from unofficial property loss logs and official Sunflower records.

**AUDITOR  
COMMENTS**

Management's suggestions and proposed actions are generally responsive to our recommendations. However, we continue to believe that Management should reconcile inconsistent information regarding lost or stolen property. The property loss logs listed Property Loss Report numbers for missing personal property that was not listed as missing in Sunflower. Therefore, the need for a reconciliation of property loss data and Sunflower data remains. After subsequent discussions with management, management agreed to conduct such a reconciliation.

Finally, although Bonneville's property losses may actually be lower than comparable utilities, we believe that correcting existing property control weaknesses offers the opportunity to further reduce losses and is clearly in the interest of both Bonneville and its ratepayers.

## Appendix 1

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### **OBJECTIVE**

The objective of this audit was to determine whether the Bonneville Power Administration (Bonneville) had effective controls over its personal property.

### **SCOPE**

The audit was performed between December 2006 and June 2007. Testing procedures were performed on personal property asset records from Bonneville's Headquarters located in Portland, Oregon; Ross Complex and Two Park Place located in Vancouver, Washington; and, Alvey Maintenance Headquarters located in Eugene, Oregon. The scope of the testing procedures was limited to the personal property asset records in Sunflower as of December 20, 2006. We also conducted a survey of custodians from other sites within Bonneville's complex.

### **METHODOLOGY**

To accomplish the audit objective, we:

- Obtained and reviewed laws, regulations, policies, and procedures relevant to Bonneville's management of its Sunflower system;
- Obtained and reviewed prior audit and review reports;
- Held discussions with various Bonneville officials;
- Gained an understanding of Bonneville's system for managing assets that are to be tagged, tracked, and recorded in Sunflower;
- Analyzed Sunflower's personal property records as of December 20, 2006;
- Selected a statistical sample of 761 assets from six of the 220 sites to determine if the assets were physically located at the site listed in Sunflower;
- Selected all assets with acquisition costs greater than or equal to \$100,000 from the six sites previously selected, which totaled 38 assets, to determine if the assets were physically located at the site listed;
- Selected a judgmental sample of 107 personal property assets from the six sites previously selected for tracing back to Sunflower;
- Obtained and reviewed the list of leased computers received through November 2006;

- Obtained and reviewed the purchase card statements and purchasing system transactions for 2006 for sensitive items; and,
- Obtained and reviewed the list of lost or stolen personal property tracked in Sunflower for Calendar Years 2004 through 2006.

The audit was performed in accordance with generally accepted Government auditing standards for performance audits and included tests of internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. Accordingly, we assessed the significant internal controls related to the accuracy of Sunflower data. Because our review was limited, it would not necessarily have disclosed all internal control deficiencies that may have existed at the time of our audit. Also, we considered the establishment of performance measures in accordance with the *Government Performance and Results Act of 1993* and concluded that specific performance measures concerning the management of personal property at Bonneville did not exist. However, our recommendations, when fully implemented, will assist Bonneville in improving data reliability for information recorded in Sunflower.

We used computer-processed data to accomplish our audit objective. Our procedures included gaining an understanding of the process for inputting personal property information into Sunflower, as well as the security access to Sunflower to determine if the data was sufficiently reliable. Based on this, we decided to perform additional tests of Sunflower data to accomplish our objective. Computer assisted audit tools were used to perform queries and testing of the Sunflower records. The completeness and accuracy of the data is addressed in the body of the report.

We held an exit conference with Bonneville's Organizational Property Management Officer on September 14, 2007.

### RELATED AUDIT REPORTS

- *Audit of Sandia National Laboratories Personal Property Accountability* (DOE/IG-0523, September 2001). This audit found that Sandia National Laboratories' (Sandia) Fixed Assets Database (Database), a primary tool in the effort to ensure property accountability, was not accurate and could not be relied upon. In addition, the property that was not accounted for could lead to undetected losses. Specifically, 20 percent of personal property items sampled were not listed in the Database and over 5 percent of the property included in the Database could not always be located. Further, the property coordinators were not effectively ensuring that the Database was complete and up to date. In total, it was estimated that the Database did not include between 6,100 and 19,500 property items. This occurred because the property coordinators were not effective in ensuring the Database was complete or updated, as necessary; inventory validation procedures used by Sandia were questionable; and, there were no performance measures related to the accuracy of the Database.
- *Audit of Bonneville Power Administration's Management of Information Resources* (WR-B-96-06, April 2, 1996). Positive aspects were noted in Bonneville Power Administration's (Bonneville) management of computer-related equipment; however, improvements could be made in implementing credit card and property procedures. Specifically, almost 43 percent of a sample of credit card purchases were made by employees whose authority to buy computer-related equipment was not documented properly. In addition, property custodians did not ensure that equipment was tagged and included in property records. In fact, 51 items were identified that had not been tagged and were easily removable and convertible for personal use. Discrepancies were noted in the spare parts records for one group specifically, 67 percent of the 32 lines items reviewed were inaccurate. Lastly, 703 pieces of equipment were identified that could have been redistributed within Bonneville or other Federal or state agencies that could have used them.
- *Special Inquiry on the Operations at Los Alamos National Laboratory* (DOE/IG-0584, January 2003). The Office of Inspector General inquiry found that Los Alamos National Laboratory (Laboratory) management failed to take appropriate or timely action with respect to a number of identified property control weaknesses, and related security concerns. Specifically, there was (1) inadequate or untimely analysis of, and inquiry into, property loss or theft and security issues; (2) lack of personal accountability for property; (3) substantial degree of dysfunction in the Laboratory's communication and assignment of responsibility for the handling of property loss and theft concerns; and, (4) inadequate controls over procurement and property systems. Inconsistencies were noted between computers reported lost and stolen to the Office of Security Inquiries and data available to property management officials. In addition, Laboratory management generally chose not to enforce accountability statements signed by the employees when custody was taken of an item. Rather, they chose to "write off" the missing property at the end of an inventory cycle. Further, there was organizational inconsistency between the roles of the Office of Audits and Assessments and the Office of Security Inquiries resulting in the potential for "overlap" and "underlap" in responsibilities.

United States Government

Department of Energy  
Bonneville Power Administration

# memorandum

DATE: August 14, 2007

REPLY TO  
ATTN OF: IG-32 (A07DN006)

SUBJECT: Response to Draft Report :Management Controls Over the Bonneville Power Administration's Personal Property Accountability"

TO: George Collard, Assistant Inspector General for Performance Audits  
Office of the Inspector General

Thank you for the opportunity to comment on the Draft report titled "Management Controls over the Bonneville Power Administration's Personal Property Accountability," dated July 19, 2007. The Bonneville Power Administration (BPA) agrees conceptually with the draft report's recommendations because they add to overall efficiency to the BPA Property Management Program. However, we note that BPA property losses are lower than similarly sized utilities; wish to correct some inaccuracies; and offer proposed revisions to some of the recommendations as delineated in Attachment I.

Our response to your recommendations with suggested slight revisions to some follows.

**Recommendation Number 1.a.: Timely entry of personal property information into Sunflower and reconciliation of records of lost or stolen property.**

We agree with the DOE-IG's findings regarding the need for timely entry of personal property information into Sunflower. BPA is inserting property management elements in BPA manager contracts. BPA has also scheduled additional training of BPA property Asset Center Representatives (ACR) and property custodians to ensure both understand the requirement for timely entry of property information and are adequately trained in the use of the Sunflower system to carry out their assigned duties. A property communication program will be implemented in fiscal year 2008 to educate users of their roles and responsibilities. Also BPA will institute a written acceptance procedure for portable electronic equipment.

BPA suggests that the language "and reconciliation of records of lost or stolen property" be deleted from the recommendation. BPA believes that inconsistencies between unofficial property loss logs and the official Sunflower records is not a significant property management issue. Sunflower is the official BPA property reporting system. It matches actual (official) property loss reports.

**Recommendation Number 1.b.: Implementing an independent physical validation that inventories are properly conducted and items are physically located before being accepted as transferred items in Sunflower.**

We agree with the objective of the recommendation, but propose an alternative approach. BPA believes that training and more frequent compliance reviews best validate that inventories are being properly conducted and that custodians physically confirm an asset's existence and location before accepting the asset in Sunflower. BPA has hired one new employee (and possibly another) to support the Organizational Property Management Officer to conduct additional compliance reviews. Additional training will also be provided to ACRs and custodians to support this objective. Please see our proposed alternative recommendation language in Attachment I.

**Recommendation Number 1.c.: Ensuring that all new IT assets are immediately entered into Sunflower.**

We agree with the recommendation. BPA's Enterprise Process Improvement Program (EPIP) recommendation will address this recommendation by requiring the control centers to use Sunflower to track personal property. However the ability to ensure "all" assets are immediately entered into Sunflower will not be fully realized until the EPIP recommendation is fully implemented in fiscal year 2009. All other organizations will ensure that assets are entered into Sunflower in a timely manner through training that reminds property custodians of the requirement. BPA will also validate the timeliness of data entry using compliance reviews of custodians and steward organizations. We have proposed alternative language for this recommendation in Attachment I.

**Recommendation Number 2: Establish and implement a training schedule for property personnel for initial and refresher training that includes hands-on application of property management actions in Sunflower to ensure that asset location information is complete, accurate, and consistently recorded.**

We agree with the DOE IG that providing comprehensive training opportunities is an important element in ensuring a successful property program. BPA has scheduled Sunflower training classes for ACRs and property custodians and is in the process of scheduling training for property field personnel. The sessions will offer a range of training methods including, but not be limited to, hands on training. We request a slight modification in the recommendation in Attachment I to ensure that our training is flexible and responsive to the needs of our ACRs and property custodians.

**Recommendation Number 3: Review and identify the appropriate controls over entering item location information in Sunflower and ensure that Sunflower is updated to correct any weaknesses identified during the review.**

We agree with the recommendation. BPA is taking steps to remove all closed sites from the Sunflower application. Further, the Sunflower administrator and property management staff will work with custodians and ACRs to create standard location templates for BPA sites and will cleanse the Sunflower system of incorrect or duplicative site information.

BPA will include a link to the final audit report and other relevant background information on our Web site at [http://www.bpa.gov/corporate/about\\_bpa/audits/](http://www.bpa.gov/corporate/about_bpa/audits/)

Again, thank you for allowing us the opportunity to comment on the draft report.

Sincerely,



Attachment

cc:

C. Sell – DS-1

D. Hill - GC-1

K. Kolevar – OE-1

I. Kolb – MA-1

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