U.S. DEPARTMENT OF TRANSPORTATION

OFFICE OF INSPECTOR GENERAL

# Gaps in Internal Controls Impede the Department's Management of Working Capital Fund Laptops

OST

Report No. ZA2020006

November 4, 2019

U.S. DEPARTMENT OF TRANSPORTATION
**OFFICE OF INSPECTOR GENERAL**

# Highlights

## Gaps in Internal Controls Impede the Department's Management of Working Capital Fund Laptops

*Self-Initiated*

**Office of Secretary of Transportation | ZA2020006 | November 4, 2019**

### What We Looked At

Laptop computers are an essential and widespread information technology asset at the Department of Transportation (DOT). From fiscal years 2013 to 2017, DOT purchased 5,448 laptops (costing approximately $8.6 million) using the Department's Working Capital Fund (WCF). Federal regulations and DOT policy require that the Department ensure the appropriate and effective receipt, inspection, acceptance, and accounting for any property once it is delivered. Given the Department's significant investment in laptop computers and the importance of strong management and oversight, we initiated this audit. Our audit objectives were to: (1) determine whether DOT is following the Office of Management and Budget's (OMB) requirements for purchases of laptop computers; (2) assess whether DOT's policies and procedures for receipt, inspection, and acceptance of laptops are sufficient; and (3) assess whether internal controls are in place to account for the laptops in DOT's inventory management system after acceptance.

### What We Found

While most of DOT's Operating Administrations complied with OMB requirements for the purchase of laptop computers, we identified weaknesses in DOT's laptop management procedures following their purchase. In particular, DOT's current policy defining its process for managing Government equipment is outdated and does not fully address the Department's operating environment. DOT also lacks sufficient internal controls to account for WCF-purchased laptops after acceptance, including tracking laptops once they are transferred to Operating Administrations or individual users. Based on our findings, we estimated that DOT could not account for 34.3 percent of the 5,448 laptops in the universe, representing $2.9 million in funds that could have been put to better use, as detailed in our report.

### Our Recommendations

We made eight recommendations to improve the Department's acquisition and oversight of WCF-funded laptops. OST concurred with recommendations 1, 2, 3, 4, 5, 6, and 7 and partially concurred with recommendation 8. For the partial concurrence, OST agreed to take the recommended action but did not agree with our finding that $2.9 million in funds could be put to better use.

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**OFFICE OF INSPECTOR GENERAL**

# Memorandum

Date: November 4, 2019

Subject: ACTION: Gaps in Internal Controls Impede the Department's Management of Working Capital Fund Laptops | Report No. ZA2020006

From: Mary Kay Langan-Feirson
Assistant Inspector General for Acquisition and Procurement Audits

To: Assistant Secretary for Administration
Chief Information Officer
Senior Procurement Executive

Laptop computers are an essential and widespread information technology (IT) asset at the Department of Transportation (DOT),[1] with thousands of employees using laptops for everyday work. However, because of their portability, laptops pose greater security risks of theft or misuse than other IT equipment. As such, strong oversight is critical to manage and protect the Department's property.

DOT's Office of the Chief Information Officer (OCIO) provides centralized IT services—referred to as the DOT Common Operating Environment (COE)[2]—for all the Operating Administrations (OAs),[3] except the Office of Inspector General (OIG) and the Federal Aviation Administration (FAA),[4] and has oversight responsibility over the entire DOT IT portfolio[5] of almost $460 million annually. In fulfilling this role, OCIO—through its Information Technology Shared Services (ITSS) office—is playing an increasingly larger role in assisting the OAs in the

[1] For the purposes of this report, when we use the term DOT, we are referring to all Operating Administrations (OAs), excluding the Federal Aviation Administration (FAA).
[2] An opt-in organization providing fee-for-service delivery of common IT services to DOT Components.
[3] The 11 DOT OAs are: Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), Federal Motor Carrier Safety Administration (FMCSA), Federal Railroad Administration (FRA), Federal Transit Administration (FTA), Maritime Administration (MARAD), National Highway Traffic Safety Administration (NHTSA), Office of the Secretary of Transportation (OST), Office of Inspector General (OIG), Pipeline and Hazardous Materials Safety Administration (PHMSA), and Saint Lawrence Seaway Development Corporation (SLSDC). For the purposes of this report, OST and OIG are treated as OAs.
[4] We excluded FAA from our audit because its laptops are not on the Department's COE and because OIG previously conducted an audit of FAA accountable property. See *FAA Lacks Effective Internal Controls for Oversight of Accountable Personal Property* (OIG Report No. FI2016016), January 20, 2016. OIG reports are available on our website at http://www.oig.dot.gov/.
[5] Except FAA.

purchase and distribution of laptops. From fiscal years 2013 to 2017, DOT purchased 5,448 laptops (costing approximately $8.6 million)[6] using the Department's Working Capital Fund (WCF). Once the laptops are received by the Department, DOT's Office of Facilities, Information, and Asset Management (OFIAM) is responsible for entering and maintaining laptop property records.

The Federal Acquisition Regulation (FAR) and DOT policy require that the Department ensure the appropriate and effective receipt, inspection, acceptance, and accounting for any property once it is delivered. Given the Department's significant investment in laptop computers and the importance of strong management and oversight, we initiated this audit. Our audit objectives were to (1) determine whether DOT is following the Office of Management and Budget's (OMB) requirements for purchases of laptop computers; (2) assess whether DOT's policies and procedures for receipt, inspection, and acceptance of laptops are sufficient; and (3) assess whether internal controls are in place to account for the laptops in DOT's inventory management system after acceptance.

We conducted our work in accordance with generally accepted Government auditing standards. For objective 1, we collected and analyzed data on laptop procurements from fiscal years 2016 and 2017[7] for OST, DOT OAs, and Volpe.[8] For objectives 2 and 3, we focused on a longer timeframe spanning fiscal years 2013–2017. This provided a larger universe of 5,448 WCF-procured laptops, representing 35 percent of all DOT-wide laptop purchases. To assess internal controls for the laptops in DOT's inventory management system after acceptance, we reviewed a simple random sample of 67 WCF-funded laptops delivered to DOT between fiscal years 2013 and 2017 for each of the OAs, with the exception of Volpe and OIG.[9] This allowed us to estimate the number, percentage, and cost of laptops DOT could not account for and the amount of funds that could be put to better use. Exhibit A provides more details on our scope and methodology. Exhibit B lists the organizations we visited or contacted.

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[6] The WCF was authorized under the Department of Transportation Act. According to OST's Budget Estimates FY 2018, the WCF is used for a wide-range of technical and administrative services for DOT, including IT security and infrastructure, technical management and business support, personnel operations and systems, telecommunications, and procurement/acquisitions services.

[7] We focused on fiscal years 2016–2017 since *M-16-02 Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops* (OMB's FY2016 Category Management memo) was released on October 16, 2015.

[8] Volpe is part of OST; however, it procures its own laptops. For the purposes of this audit, we reviewed Volpe's laptop procurements separately from OST.

[9] Volpe and OIG were excluded from this part of our review (i.e., objectives 2 and 3) because they do not procure laptops through the WCF.

We appreciate the courtesies and cooperation of Department of Transportation representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-5225 or Darren Murphy, Program Director, at (206) 255-1929.

cc: The Secretary
DOT Audit Liaison, M-1

# Results in Brief

### Most OAs complied with OMB laptop procurement requirements, but gaps remain.

On October 16, 2015, OMB issued policy requiring that Federal agencies purchase laptops using one of three approved Government-wide Acquisition Contracts (GWAC).[10] Through this policy, OMB aimed to standardize computer configurations for common requirements, reduce the number of contracts used, and consolidate procurements to optimize price and performance. However, while most OAs complied with these requirements, we found that 4 of the 11[11] we reviewed (36 percent) did not use one of the OMB-approved GWACs to acquire laptops. Instead, these four OAs—the Federal Highway Administration (FHWA), Maritime Administration (MARAD), National Highway Traffic Safety Administration (NHTSA), and Pipeline and Hazardous Materials Safety Administration (PHMSA)—used an FAA contract, which was not listed as one of the three approved sources by OMB. This occurred in part because DOT did not specifically prohibit the OAs from using the FAA contract—which had previously been a commonly used procurement vehicle within DOT—in its guidance for implementing the OMB policy. In addition, DOT did not have an effective mechanism in place to provide reasonable assurance that the OAs complied with the OMB requirements. As a result, DOT was unable to verify all its OAs were using proper contract vehicles, which may hinder efforts in achieving potential cost savings as well as meeting Federal initiatives, such as consolidating acquisitions and standardizing laptop configurations.

### DOT lacks an effective process for managing the receipt, inspection, and acceptance of WCF-purchased laptops.

DOT's current policy defining its process for managing Government equipment is outdated and does not fully address the Department's operating environment. Specifically, DOT Order 4410.4—which outlines the Department's policy for the management, accountability, control, utilization, and disposal of Government equipment—does not reflect current technology needs or many departmental procedures. For example, the Order, which was issued in 1992, does not mention laptops and does not describe the current processes or shared services structure that the Department currently uses. While DOT Order 4410.4 generally covers procedures for property receipt, it does not address the functions of inspection and acceptance. Moreover, the Department lacks an effective process that

[10] A GWAC is a pre-competed, multiple-award, indefinite delivery, indefinite quantity (IDIQ) contract that agencies can use to buy both IT products and services.
[11] For objective 1, OIG and Volpe were treated as OAs.

delineates how ITSS and OFIAM work together to fulfill their respective duties involving the receipt, inspection, and acceptance of WCF-purchased laptops. This in turn has hindered the offices from properly managing and tracking the laptops. DOT officials stated that the Department is in the process of updating its Policy and plans to implement it in 2020. However, we also found that OFIAM lacks an effective process to verify WCF-purchased laptops are accurately recorded into CENOTRACK, which is OST's property management system of record. Our review of CENOTRACK identified multiple errors relating to WCF-purchased laptops, including incorrect purchase order numbers, procurement and/or delivery dates, user assignments, and asset locations. Specifically, 53 of 67 (79 percent) of the items in our sample had the same procurement and delivery dates recorded in CENOTRACK. However, it is not possible for these dates to match since the Department cannot request, order, and receive a WCF laptop on the same day. As a result, the Department cannot verify that it is accurately accounting for the laptops when it acquires them, may be relying on incorrect data, and is not effectively managing its property.

### Weak internal controls limit DOT's ability to account for WCF laptops after acceptance.

While Federal law requires that executive agencies maintain adequate inventory controls and property accountability systems, DOT did not effectively account for a significant percentage of its WCF laptops. This occurred because DOT lacks sufficient internal controls to account for WCF-purchased laptops after their acceptance, including tracking laptops once they are transferred to the OAs or individual users. For example, DOT's current policy calls for the use of hand receipts as a key departmental internal control for tracking laptop purchases, yet it lacks an effective process for collecting and documenting hand receipts. For our sample of 67 laptops, OFIAM was only able to provide one hand receipt to document the current user of the laptop. In addition, although OFIAM conducts annual inventories of its IT property, including laptops, it is not effectively resolving identified inventory discrepancies. For example, OFIAM's 2017 discrepancy report for ITSS-controlled property identified 1,960 laptops for which they could not confirm where the laptops were actually located or to whom they were assigned. In addition, neither ITSS nor OFIAM were able to provide documentation showing that these discrepancies had been resolved. Based on our findings, we estimate that DOT could not account for 1,870[12] or 34.3 percent of the 5,448 laptops in the universe. This represents $2.9 million[13] in funds that could have been put to better use (33.8 percent of the $8.6 million in the universe). Lastly, OCIO lacks adequate physical security controls to reduce risks of theft. For example, security cameras facing the ITSS asset room were inoperable,

[12] Our 1,870 estimate has a precision of +/-521, which is +/-9.6 percent of the laptops in the universe.
[13] Our $2.9 million estimate has a precision of +/-$828,000, which is +/-9.6 percent of the amount in the universe.

and more than 150 non-essential personnel had access to the storage area. As a result, five WCF laptops were stolen from the ITSS asset room in April 2018. ITSS officials stated that they plan to update their physical security controls by January 2020.

We are making recommendations to improve DOT's acquisition and oversight of laptop computers.

# Background

The WCF was authorized[14] in 1966 to allow DOT's OAs to focus on core missions while reducing costs by consolidating administrative and management functions. Administered by the Office of the Assistant Secretary for Administration (OASA) and OCIO, the WCF funds and consolidates a wide range of technical and administrative services, including personnel operations and systems, facilities management, IT security and infrastructure, and procurement support for some common goods and services. This consolidation of services allows DOT to achieve economies of scale, eliminate redundancies, promote consistency in service, and reduce administrative costs across the Department.

A number of offices and divisions within DOT play a role in procuring, managing, and overseeing the Department's IT property and assets (see table 1).

## Table 1. DOT Offices Responsible for IT Procurement, Management, and Oversight

| Office | Role in IT Procurement, Management, and Oversight |
|---|---|
| OCIO | Oversees the entire DOT IT portfolio of more than $3 billion annually, the 6th largest in the Federal Government.<br>Operates the DOT COE. |
| ITSS | Located within OCIO, ITSS serves as the preferred provider[15] of IT and infrastructure services. All DOT organizations are required to evaluate ITSS-offered services and eliminate them as a workable, cost-effective option before soliciting information on or implementing an alternative resource.<br>Manages WCF IT assets for the Department. |

[14] Pub. L. 89-670, the DOT Act, enacted October 15, 1966.
[15] In DOT Order 1351.40, February 20, 2015, ITSS is referred to as the Department's preferred provider.

| Office | Role in IT Procurement, Management, and Oversight |
|---|---|
| OSPE | Provides overall departmental acquisition policies and support, including setting IT procurement policies. |
| OFIAM[16] | Provides national planning, coordination, and oversight for DOT's property assets (including IT assets), as well as warehousing, shipping, and receiving services. |

Source: OIG analysis.

More specifically, ITSS and OFIAM both play a role in the receipt, inspection, and acceptance of IT property assets, as well as conducting the Department's annual inventory of laptops. For example, ITSS helps verify that IT services, systems, and/or products—collectively referred to as COE assets—are identified, baselined, and maintained, and that changes are controlled and documented. ITSS is also responsible for creating and maintaining an ongoing inventory of COE assets across all participating OAs, including laptops. In comparison, OFIAM is responsible for creating a laptop property record by entering this information in CENOTRACK; conducting an annual physical inventory of its property, which includes all WCF assets managed by ITSS; and establishing a Board of Survey that is tasked with conducting investigations when property is reported as damaged or lost.

Previous OIG audits have raised concerns about the lack of effective policies and procedures for managing the Department's IT inventory. For example, in 2018 and 2019 we found that DOT lacked a complete inventory of its hardware and software as well as a process for accurately tracking IT assets. We also reported[17] that the hardware inventory listed in OCIO's most recent quarterly report to OMB did not match the OAs' individual inventories.[18]

[16] For this audit, we are using the acronym OFIAM to stand for the Office of Facilities, Information, and Asset Management.
[17] *FISMA 2017: DOT's Information Security Posture Is Still Not Effective* (OIG Report No. FI2018017), January 24, 2018, and FISMA 2018: *DOT's Information Security Program and Practices*, (OIG Report No. FI2019023), March 20, 2019.
[18] The matrix used to report to OMB includes all hardware; laptops are included in this inventory and are not reported separately.

# Most OAs Complied With OMB Laptop Procurement Requirements, but Gaps Remain

While 7 of 11 OAs complied with OMB requirements, some gaps remain. First, DOT's policy for implementing OMB requirements for laptop procurements was unclear, as it did not specifically prohibit the use of a prior, no longer allowable; FAA procurement vehicle, which had previously been used by most of the OAs. In addition, OST lacks an effective process to verify that the Department is complying with OMB requirements designed to promote Governmentwide cost savings and standardization.

## DOT Did Not Ensure Full Compliance With OMB Requirements

On October 16, 2015, OMB issued a Category Management policy memorandum that requires agencies to use one of three GWAC vehicles to purchase laptops and desktop computers.[19] OSPE issued acquisition policy, DOT DASH 2016-01, effective November 25, 2015, to implement OMB's memo. This guidance requires that all DOT contracting officers[20] purchase laptops in accordance with OMB's memo.

When DOT and its OAs use one of the pre-approved GWACs, they are assured that OMB and FAR requirements are met. For example, using a pre-approved GWAC ensures required clauses are included in the base contract. It also reduces the OAs' administrative costs by consolidating acquisitions, increases the Government's purchasing power, and ensures the most appropriate laptop configuration for DOT's COE. However, we found that 4 of 11 (36 percent) OAs we reviewed did not use OMB-approved GWACs to acquire laptops (see table 2 for details).

[19] These are: (1) NASA's Solutions for Enterprise-Wide Procurement (SEWP); (2) the General Services Administration's (GSA) IT Schedule 70; and (3) Department of Health and Human Services (HHS), National Institutes of Health (NIH), NIH Information Technology Acquisition and Assessment Center (NITAAC) Chief Information Officer-Commodities and Solutions (CIO-CS).

[20] This guidance does not apply to FAA.

Table 2. DOT OA Laptop Procurements, Fiscal Years 2016–2017

| Operating Administration | Number of Laptop Procurements | Number (%) of Laptop Procurements That Did Not Follow OMB Policy |
|---|---|---|
| FHWA | 9 | 2 (22%) |
| FMCSA | 2 | 0 (0%) |
| FRA | 3 | 0 (0%) |
| FTA | 0 | 0 (0%) |
| MARAD | 1 | 1 (100%) |
| NHTSA | 3 | 2 (67%) |
| OIG | 9 | 0 (0%) |
| OST | 37 | 0 (0%) |
| PHMSA | 14 | 13 (93%) |
| SLSDC | 2 | 0 (0%) |
| Volpe | 2 | 0 (0%) |
| **Total** | **82** | **18 (22%)** |

Note: Each procurement involves multiple laptops and may include other items.

Source: OIG analysis of DOT data.

In each instance, the four OAs used FAA's Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) multiple award contract, which is not one of the three GWACs specified in OMB's policy. These instances occurred after OMB and DOT issued their policies. Prior to the OMB memo, the FAA SAVES contract was a commonly used vehicle among most OAs to procure laptops. At that time, the SAVES contract—which is mandatory only for FAA—was available for use to the rest of DOT.

While the OMB memo provided an exception for agencywide mandatory-use vehicles—such as FAA SAVES—this exception did not apply to the other DOT OAs. As such, the DOT OAs other than FAA should have used one of the three approved GWACs instead. However, OSPE's November 2015 guidance failed to note this point, nor did it provide specific timelines for OAs to transition to using approved GWACs for their laptop acquisitions. As a result, some OAs continued

to use FAA SAVES because they were unclear on or were unaware of how the OMB policy affected the use of FAA SAVES for laptop acquisitions. For example:

- A contracting officer from FRA noted that OSPE's guidance[21] did not clarify whether or not OAs should continue using FAA SAVES.
- NHTSA contracting staff stated that field offices were not aware that a laptop policy existed at the time of purchase. As a result, they purchased laptops on two contracts after the OMB memo and OSPE guidance were issued.
- PHMSA had issued internal guidance[22] listing SAVES as an approved vehicle under the OMB policy due to its misinterpretation of the OMB memo. Over a year passed before PHMSA revised its guidance to remove SAVES as a procurement option. The revision was prompted by a contracting officer from another OA, who requested clarification on the use of FAA SAVES. OSPE responded by emailing all modal contracting officers in August 2017 stating that FAA SAVES should not be used. However, until that time, PHSMA issued 13 orders for laptops through the FAA SAVES contract.

During our review, FHWA, MARAD, NHTSA, and PHMSA acknowledged they should not have used FAA SAVES. MARAD stated it is working towards complying with OMB requirements, and FHWA, NHTSA, and PHMSA stated they are now compliant.

## DOT's Oversight Process Was Not Effective in Preventing Some OA Laptop Purchases From Non-GWAC Sources

DOT lacks an effective process for verifying that OAs procure laptops from only OMB-approved sources. OCIO is the primary office responsible for the enforcement and implementation of the OMB Memo throughout the Department through the IT Spend Plan process. This process was initiated in May 2016, with OCIO requiring that each OA submit an IT Spend Plan and that all IT purchases must be coordinated with and approved by the DOT OCIO.[23] However, we found this process to be somewhat ineffective in preventing 13 laptop procurements[24]

[21] Acquisition Policy DOT DASH 2016-01, November 25, 2015.
[22] PHMSA, Laptop and Desktop Computer Acquisition (FLASH 002-2016), February 10, 2016.
[23] This did not apply to FAA and OIG.
[24] Five of 18 instances of non-compliance cited in table 2 occurred prior to the Spend Plan process going into effect on May 12, 2016.

from unapproved GWAC sources from fiscal years 2016 to 2017. This occurred because OCIO relied on the OAs to follow OMB requirements and therefore did not specifically check to see whether OAs made procurements from an approved GWAC. In addition, some OAs made purchases prior to the implementation of the Spend Plan process. Further, once the Spend Plan process was implemented, OCIO staff determined they had limited oversight over the OAs' purchases because they did not have transparency after the initial Spend Plan review. For example, the Spend Plans did not contain procurement documentation, such as purchase requests identifying the source for the laptop purchases.

Recognizing weaknesses in its prior process, OCIO issued a DOT IT Management memo in June 2018 that modified the IT Spend Plan review process to require that OAs submit every Purchase Request to OCIO for approval in addition to their IT Spend Plans. According to OCIO staff, in 2019 they began using the authority of the Federal Information Technology Acquisition Reform Act (FITARA) and the DOT IT Management memo to require OAs to procure laptops through the WCF. The WCF procures laptops through the National Aeronautics and Space Administration's Solutions for Enterprise-Wide Procurement vehicle, which is one of the three pre-approved GWACs. However, DOT has not updated the June 2018 OCIO management memorandum to include that laptops must be procured through WCF. Without an effective and fully documented process to oversee compliance with OMB requirements, DOT will remain hindered in its efforts to consolidate its contracts for acquiring laptops and promoting efficiencies now and in the future through category management or shared service acquisitions.

## DOT Lacks an Effective Process for Managing the Receipt, Inspection, and Acceptance of WCF-Purchased Laptops

DOT Order 4410.4 is outdated and does not reflect the Department's current needs and procedures for managing WCF-purchased laptops. Moreover, OCIO and OFIAM lack documented procedures covering their respective responsibilities involving the receipt, inspection, and acceptance of laptops. The Department also lacks an effective property management system for tracking WCF-purchased laptops.

## DOT's Policies and Procedures Are Inadequate for Managing Laptop Receipt, Inspection, and Acceptance

DOT Order 4410.4, Equipment Management and Control, provides guidance for the receipt, movement, control, utilization, and disposal of all DOT-owned, leased, and/or borrowed equipment. However, the Order is outdated (last updated in 1992) and does not reflect DOT's current technological operating environment. For example, while DOT Order 4410.4 contains guidance on typewriters and phonographs, it does not address laptops.

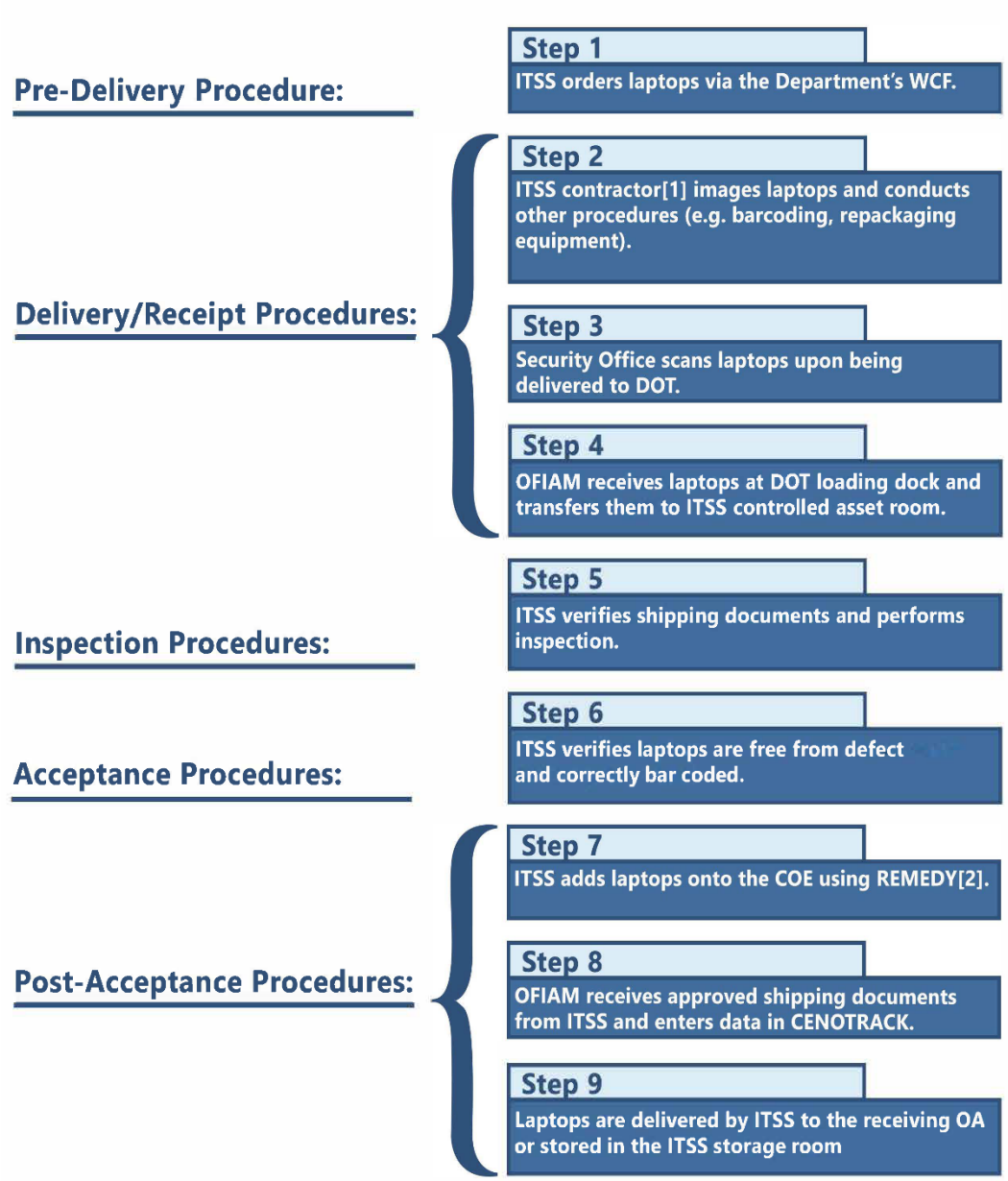
In addition, while the Order generally covers the topic of receipt, such as stating that "receipts of equipment shall be documented" and "managers at each echelon are held responsible for receipt," the guidance does not mention the Department's practice of shared IT services or address equipment inspection and acceptance requirements. According to the FAR, agencies shall prescribe procedures and instructions for the use, preparation, and distribution of material inspection and receiving reports to evidence Government inspection and acceptance. The FAR also states that acceptance shall ordinarily be evidenced by execution of an acceptance certificate, an inspection or receiving report, or commercial shipping document/packing list. However, DOT's Order does not address or establish any such inspection or acceptance requirements.

Furthermore, DOT's OFIAM and ITSS have several key responsibilities involving WCF-purchased laptops that the current Order also does not address. Specifically, within DOT, both ITSS and OFIAM are involved in the receipt, inspection, and acceptance of WCF-purchased laptops.[25] According to these offices, ITSS personnel perform initial inspection and acceptance of WCF-purchased laptops and are the designated Property Custodians,[26] whereas OFIAM is responsible for tracking WCF laptops through its CENOTRACK system. However, the functions of inspection and acceptance are not defined, and the Department does not have formal documented procedures for how ITSS and OFIAM should perform their respective responsibilities.

While DOT has not formally documented its procedures, our analysis and interviews determined the current steps and roles of each office in the receipt, inspection, and acceptance of laptops. These are summarized in figure 1.

[25] When laptops are purchased through WCF that means ITSS is responsible for the procurement.
[26] Property Custodians are responsible for conducting physical inventories and maintaining current custodial records for all accountable equipment that is within their assigned custodial area.

Figure 1. ITSS and OFIAM Responsibilities for Receipt, Inspection, and Acceptance




Source: OIG analysis

1. Prior to delivering the laptop, the contractor performs a number of agreed upon tasks on behalf of ITSS.
2. REMEDY is the system ITSS uses to manage WCF assets on the COE.

However, since DOT has not formally documented these steps through policy or guidance, both offices have different interpretations about their respective roles and responsibilities. We found that ITSS staff were unclear about their inspection and acceptance responsibilities, and OFIAM officials were unclear that they

needed to communicate with ITSS more frequently in order to obtain correct data. For example, at the start of this audit, ITSS staff were unaware they were responsible for the functions of inspection and acceptance—as they thought these functions occurred while the laptops were being prepared by the contractor. Moreover, ITSS has not formalized its policies for receiving laptops from its contractor, assigning laptops to users, and providing asset information to OFIAM for tracking purposes. Overall, the lack of clearly understood, documented, and consistently followed processes for the purchase, receipt, and acceptance of laptops raises questions as to whether the two responsible offices are effectively managing the Department's laptop assets.

Officials from OFIAM acknowledged that DOT Order 4410.4 is outdated and stated that they plan on issuing an update in 2020.

## DOT Is Not Effectively Entering Laptop Data in Its Property Management System

Following the receipt, inspection, and acceptance of laptops, DOT policy requires that each computer be entered into and tracked by the Department's property management system of record. However, DOT's procedures and quality assurance controls are insufficient for ensuring that it effectively documents and tracks (i.e., enters, updates, and validates data on) the laptops it receives. According to the Government Accountability Office's (GAO) best practices guide for property management,[27] decision makers need to know how much inventory there is and where it is located to make effective operating and financial decisions.

OFIAM's main management tool for tracking, reporting, and maintaining inventory information on WCF-purchased laptops is CENOTRACK, its property management system of record. CENOTRACK contains the following data fields: purchase order numbers, delivery and procurement dates,[28] as well as user assignment and asset location. Staff from OFIAM manually enter data in CENOTRACK based on multiple documents provided by ITSS. Such documents include purchase orders, electronic shipping documents, hand receipts, and Reports of Survey.

However, we found that CENOTRACK contained multiple errors relating to WCF-purchased laptops, including incorrect purchase order numbers, procurement and/or delivery dates, user assignments, and asset locations. Specifically, 53 of 67 (79 percent) items in our sample had the same procurement

[27] Government Accountability Office, Executive Guide - *Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property,* March 2002.
[28] Delivery date means the laptops were received by the security office.

and delivery dates recorded in CENOTRACK. Yet, according to OFIAM, it is not possible for these dates to match since the Department cannot request, order, and receive a WCF laptop on the same day. For example, prior to a laptop being received, the contractor is tasked with properly setting up the laptop to include installing the DOT image, barcoding, and repackaging the equipment. According to ITSS, it takes up to 5–7 days for this process to be completed.

These errors likely occurred because OFIAM lacks an effective process for communicating with ITSS to obtain accurate purchase orders and other relevant information. While OFIAM does not have oversight authority over ITSS, OFIAM is responsible for maintaining an effective and accurate equipment accountability and control system. This includes working with ITSS to enter accurate data in CENOTRACK. However, according to OFIAM staff, if the acquisition date is unknown or was not provided to them by ITSS, they enter the delivery date in the procurement data field. In addition, if ITSS did not provide a purchase order to their office, OFIAM staff enter the date they last entered data into CENOTRACK, rather than contacting ITSS for the correct information.

Moreover, while OFIAM uses the CENOTRACK system, ITSS uses REMEDY, which is a real-time system that allows ITSS to add new assets onto the COE and validates the asset's current location/assignment. We found that data in REMEDY and CENOTRACK did not match for 44 of 67 (66 percent) items in our sample, including such information as user assignments and asset locations. This occurred because the systems are not interoperable, and ITSS and OFIAM are not communicating effectively to verify that data used for tracking laptops are accurate.

Without clear processes for documenting and tracking its laptops, the Department is hindered from maintaining an accurate inventory of its property and fully utilizing its assets. Further, CENOTRACK is used to manage multiple WCF assets, such as servers, within the Department, not just laptops. Therefore, OFIAM may be relying on incorrect data to manage its IT property assets, increasing the risk that assets may go missing or otherwise remain unaccounted.

## Weak Internal Controls Limit DOT's Ability To Account for WCF Laptops After Acceptance

After laptops are inspected, accepted, and initially entered into the CENOTRAK system, the equipment is usually either sent to the intended user or to a storage facility. DOT keeps track of the laptops on their way to the intended user by use of hand receipts. However, DOT lacks an effective process for collecting and documenting hand receipts whenever a laptop is transferred or for resolving

discrepancies identified during annual property inventories. The Department also lacks effective physical security controls to protect its property and deter theft.

## DOT Does Not Have an Effective Process for Collecting and Documenting Hand Receipts

To help OA Property Custodians maintain inventories following acceptance, and as equipment finds its way to the intended user, DOT Order 4410.4 recommends that equipment be assigned to the using individual via a hand receipt (i.e., DOT F 4420.4) or "a similar form." Hand receipts help Property Officers and Custodians track the movement of laptops between users and document a user's acceptance of the property or their release of liability. As such, hand receipts can represent an effective method of property control for the Department.[29] While the DOT Order only *recommends* hand receipts, OFIAM has elected to *require* the OAs as well as ITSS to provide hand receipts any time a laptop changes users or locations. For WCF-funded laptops, ITSS is required to collect the hand-signed receipts whenever a laptop is delivered to a user and forward them to OFIAM. OFIAM, in turn, enters data (e.g., user, location, and description of the asset) from the signed receipts to update the CENOTRACK record. However, we found this overall process for collecting and maintaining signed hand receipts and entering relevant data into CENOTRACK to be both ineffective and not formalized as part of written guidance or policy.

For example, neither OFIAM nor ITSS could verify that hand receipts are being completed. We requested hand receipts for each laptop in our sample; however, officials with OFIAM were unable to provide hand receipts for 66 of 67 (99 percent) of the sample items, with a total value of $106,000. Based on our findings, we estimate that 5,367[30] (98.5 percent) of the 5,448 laptops in the universe with a value of $8.592 million or 99.7 percent of the $8.620[31] million in the universe did not have hand receipts.

[29] We did not assess the degree to which automated alternatives to the use of hand receipts are feasible, as our focus was on the implementation of existing controls.

[30] Our 5,367 estimate has a 90-percent lower confidence limit of 5,234 (96.1 percent) and a 100-percent upper confidence limit of 5,448 (100 percent), which equates to a precision of +1.5 percent and -2.4 percent of the laptops in the universe.

[31] Our $8.592 million estimate has a 90-percent lower confidence limit of $8.051 million (93.4 percent) and a 100-percent upper confidence limit of $8.618 million (100 percent), which equates to a precision of +$26 thousand (0.3 percent) and -$541 thousand (6.3 percent).

Moreover, for the sole hand receipt provided, we found:

- It took nearly 3 months for OFIAM to record the hand receipt information in CENOTRACK after the laptop had initially been assigned to a user;
- The asset was subsequently transferred to a different user by ITSS without obtaining a new hand receipt; and
- The CENOTRACK record was only updated because the Personal Property Program conducted an annual inventory, which occurred 7 months after the laptop was transferred.

Without an effective and formalized process for collecting and entering hand receipts or a similar control, DOT cannot sufficiently oversee departmental laptops or hold users accountable for their loss, damage, theft, or destruction.

## DOT Is Not Effectively Resolving Personal Property Inventory Discrepancies

According to DOT Order 4410.4, physical inventories are necessary to validate the official property record and are part of the overall equipment management process. Inventories are used to (1) verify that equipment carried on the record is physically located in the area where assigned, (2) verify that all accountable equipment is included on the property record, and (3) provide information on the utilization of equipment. In implementing DOT Order 4410.4, OFIAM conducts an annual physical inventory of its personal property, which includes all WCF laptops managed by ITSS. According to OFIAM, if a laptop cannot be found in the physical location that is listed in the CENOTRACK record, it is recorded as a discrepancy.

Our review of DOT's 2017 inventory report showed that DOT identified a total of 2,845 discrepancies and that 69 percent (1,960) of these discrepancy items were laptops, valued at $2.9 million. Yet, we found a number of problems with DOT's process for resolving these inventory discrepancies, as detailed below.

### DOT Lacks an Effective Process for Communicating and Resolving Inventory Discrepancies

According to OFIAM officials, following the annual inventory of ITSS-controlled property, the Office works with ITSS to resolve all discrepancies identified for WCF laptops under ITSS's control. However, we found that neither OFIAM nor ITSS have agreed on an effective process for resolving identified discrepancies. For example:

- According to ITSS officials, their understanding of the discrepancy resolution process is to determine if the laptop is connected to the DOT network under the currently listed user, and if so, an email is sent to OFIAM so the laptops can be removed from the discrepancy report. If the laptop is not found on the network, ITSS will contact the listed user or their local Property Custodian to identify the current whereabouts of the laptop, and then via email, update OFIAM.

- However, according to OFIAM officials, they do not find ITSS' approach completely acceptable because ITSS was not collecting hand receipts from users. As previously noted, hand receipts are required to update the official property record and hold the end user accountable for the property. Yet, OFIAM has not provided ITSS with sufficient guidance in terms of what documentation is required to remove a laptop from a discrepancy report. Furthermore, OFIAM has not formally documented or reached a mutual understanding with ITSS on each organization's respective process and responsibility for resolving discrepancies.

Until ITSS and OFIAM agree on a process to resolve discrepancies, the official property record will not be accurate, limiting DOT's ability to correctly report its assets on hand and estimate its potential IT needs. Specifically, we found that 34.3 percent (23 of 67) of our sampled laptops were placed on a discrepancy report, meaning that OFIAM could not locate them during its 2017 annual inventory. These 23 items have a value of approximately $36,000, which represents 33.3 percent of the total monetary value of our sample of 67 laptops. However, when requested, neither ITSS nor OFIAM were able to provide any documentation to show the discrepancies were resolved. Until these discrepancies are resolved, DOT may be losing the value of the laptops if they are left sitting idle or may be expending unnecessary funds to procure laptops when others may be available for use. Overall, we estimate that 1,870[32] or 34.3 percent of the 5,448 laptops in the universe are unaccounted for, totaling $2.9 million[33] in funds that could be put to better use (33.8 percent of the $8.6 million in the universe).

We also found that 23 percent of all laptops, worth approximately $1 million, from the 2017 annual inventory discrepancy report were listed as being located either in the ITSS asset room or the DOT warehouse.[34] However, OFIAM did not locate these laptops in either location during the annual inventory. As such, it is not clear whether the laptops were distributed out of ITSS control without ITSS documenting the transfers with hand receipts, or whether the laptops went

[32] Our 1,870 estimate has a precision of +/-521 which is +/-9.6 percent of the laptops in the universe.
[33] Our $2.9 million estimate has a precision of +/-$828,000, which is +/-9.6 percent of the amount in the universe.
[34] According to ITSS, if there is not significant space in W12-160, assets will be shipped to the DOT warehouse.

missing (i.e., taken without authorization). Had the laptop transfers been properly documented via hand receipts or a similar control, there could have been fewer discrepancies and greater assurance that the laptops were not otherwise missing or stolen.

Another issue is that the current DOT Order 4410.4 does not establish a timeframe for resolving discrepancies. The lack of policies and procedures on timeframes has contributed to ITSS and OFIAM's lengthy process for resolving discrepancies. According to ITSS staff, they have not resolved any discrepancies identified in the fiscal years 2014–2017 annual inventories. For example, 5 of the 23 laptops in our sample that were on a discrepancy report had not been resolved from the previous year. This means that over a year passed during which these laptops could not be located, increasing the likelihood that the laptops had been lost, stolen, or converted to personal use without being reported. Furthermore, because the standard DOT refresh period[35] is 4 years, it is possible for items to remain unaccounted for until they reach their disposal date, without ITSS or OFIAM ever taking responsibility for the item's loss of use. In these instances, DOT potentially loses the use of the laptops as well as the remaining value of the laptops.

Recognizing existing shortfalls, officials from OFIAM told us that they are working with ITSS to determine what each office's role and responsibilities are and how they can work together to streamline the discrepancy resolution process. They also told us that they are in the process of refining their annual inventory practices.

### ITSS Is Not Completing Reports of Survey as Required

According to DOT Order 4410.4, Property Officers will ensure a Report of Survey is initiated when appropriate. Each OA has a Property Officer, who is responsible for ensuring that physical inventories are conducted and that a Property Custodian is designated and trained. For DOT, the designated Property Officer (who is an official within OFIAM) oversees all other Property Officers for the Department. In addition, Property Custodians are responsible for conducting physical inventories and maintaining current custodial records for all accountable equipment that is within their assigned custodial area. For WCF laptops, ITSS is the Property Custodian.

A Report of Survey is a document that is used when Government equipment is lost, damaged, or destroyed due to negligence or willful intent. However, we found that while OFIAM (DOT's Property Officer) requires ITSS (the Property Custodian) to complete a Report of Survey when a WCF laptop that is on a discrepancy report is not located, OFIAM is not following up to ensure these

[35] Refresh period refers to replacing laptops at the end of their useful life.

reports are completed. Following its 2016 and 2017 annual inventories, OFIAM required via email that a Report of Survey be completed for any item on the discrepancy reports that ITSS was unable to locate. However, ITSS did not complete a Report of Survey for any of the 2,845 discrepancies (of which 1,960 were laptops) identified in 2017.

In addition, ITSS did not complete a Report of Survey for five WCF-funded laptops stolen from the ITSS asset room in April 2018. (This theft is discussed later in this report.) According to DOT Order 4410.4, it is the responsibility of the Property Custodian, in this case ITSS, to notify the Property Officer when equipment is missing, lost, allegedly stolen, or damaged sufficiently to warrant a Report of Survey. Not filing a Report of Survey when items are lost, damaged, or destroyed is not only a violation of DOT policy but prolongs the discrepancy reconciliation process and contributes to the high number of discrepancies. As a result, OFIAM had no knowledge of this theft and was therefore unable to adjust records to remove these items from the official property record and refer the theft to a Board of Survey, as discussed below.

### DOT Lacks a Board of Survey To Assess Missing or Damaged Laptop Incidents

According to DOT Order 4410.4, each departmental element shall designate, either permanently or on an as-required basis, Survey Officer(s) and Survey Board(s). The Survey Officer(s)/Survey Board(s) are intended to investigate circumstances surrounding the loss, damage, or destruction of property in order to determine and prepare written findings and recommend action(s) to prevent recurrence of incidents of loss, damage, or destruction of property. Furthermore, the Board of Survey is responsible for determining financial liability when an asset is lost. Although OFIAM is responsible for establishing a Board of Survey for WCF laptops, it has neither designated any Survey Officers nor put in place a Survey Board in over 10 years. Moreover, while OFIAM staff told us that they are currently developing a Survey Board, we have not received any documentation to support this statement. As a result, OFIAM continues to lack a formal process for investigating lost or damaged laptops and for holding users accountable in the case of willful negligence or theft. Without a Board of Survey to process Reports of Survey, OFIAM cannot determine the parties responsible for the loss or theft of laptops, determine financial liability, or properly remove missing assets from the property record until such time that the laptop has reached the end of its useful life and is excessed from the inventory.

## ITSS Asset Room Lacks Adequate Physical Security Controls

According to GAO,[36] physical controls are critical to secure and safeguard vulnerable assets. When adequate security controls are lacking, the risk of theft increases. Examples of such controls include security for and limited access to assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. DOT Order 4410.4 also requires that Program Managers, Property Officers, Property Custodians, and accountable persons ensure that necessary actions are taken to physically protect the equipment for which they are responsible.

However, DOT lacks effective physical controls to secure its ITSS asset room. Laptops are highly vulnerable assets as they are very portable and can be easily hidden during a theft. The ITSS asset room is located at DOT Headquarters, which is where WCF-purchased laptops are inspected, accepted, and stored prior to user assignment,[37] as well as ultimately prepared for disposal. While ITSS has responsibility for the physical security of its asset room, it has not implemented adequate security controls. Our review found that (1) the asset room door does not automatically close, (2) a PIV access lock is not currently installed, and (3) a high volume of people had access to the asset room.

As a result, DOT cannot effectively protect its laptop assets from risk of theft. For example, during a tour of the asset room, we learned from ITSS staff of an instance of theft in April 2018, in which five laptops valued at $10,975 were stolen. The laptops had been recently accepted by ITSS, unboxed, imaged, barcoded, and stacked on the shelf awaiting deployment. According to OIG investigators, ITSS has two security cameras facing the asset room, but they were inoperable at the time of the theft. In addition, 153 individuals had access to the room in April 2018,[38] and one ITSS Property Custodian said the doors were typically unlocked during that time. When we raised concerns with ITSS officials, they stated that the office has modified its security to limit access and is working on providing additional security cameras inside the asset room. In April 2019, ITSS officials stated they requested a quote to have cameras and motion detectors installed in the asset room. According to ITSS officials, they plan to have these controls in place by January 2020.

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[36] GAO-14-704G, *Standards for Internal Control in the Federal Government*, September 2014.
[37] In addition, ITSS stores laptops in a warehouse in Landover, MD, if the Headquarters asset room is full.
[38] According to OIG Investigations Office, the theft occurred at some point between Friday, April 20, and Tuesday, April 24, 2018.

# Conclusion

Every year, DOT makes a significant investment in procuring laptop computers, one of the most commonly used pieces of IT property throughout the Department. Laptops are also some of the property most prone to theft or misuse, given their portability and widespread use. As such, strong policies, internal controls, and oversight are key to promoting the effective stewardship of these departmental assets. While most DOT OAs complied with OMB requirements for the purchase of laptop computers, we identified numerous weaknesses in DOT's laptop management procedures following their purchase. In particular, DOT needs to update its guidance and clearly define roles and responsibilities for parties responsible for receiving, inspecting, accepting, storing, and accounting for laptops. This includes resolving inventory discrepancies and ensuring accountability for lost, damaged, or stolen laptops. Until then, DOT will not be able to ensure that it is effectively managing its property and using taxpayer funds in a responsible manner.

# Recommendations

To improve the Department's acquisition and oversight of WCF laptops, we recommend the:

**Senior Procurement Executive:**

1. Update DOT DASH 2016-01 to specifically state that FAA Strategic Sourcing for the Acquisition of Various Equipment & Supplies (SAVES) is not an approved vehicle under Office of Management and Budget (OMB) requirements.

**Chief Information Officer:**

2. Document the revised IT Spend Plan process to verify OAs meet OMB requirements when procuring laptop computers.

3. Implement enhanced physical security controls for the Information Technology Shared Services (ITSS) asset room where Working Capital Fund (WCF)-funded laptops are stored.

**Assistant Secretary for Administration, in coordination with the Chief Information Officer:**

4. Develop and implement supplemental guidance that defines responsibilities for the Office of Facilities, Information, and Asset Management (OFIAM) and ITSS with respect to receipt, inspection, and acceptance, and inventory management processes and procedures for WCF-purchased laptops.

**Assistant Secretary for Administration:**

5. Update DOT Order 4410.4 to include:

    a. Defining roles and responsibilities of DOT offices and personnel with respect to management of WCF laptop computers.

    b. Requiring hand receipts or a similar control whenever an accountable property asset (e.g., laptop) is assigned or unassigned to/from a user.

    c. Requiring retention of records from hand receipts or a similar control with the appropriate property official.

    d. Establishing a timeframe for submitting Reports of Survey to OFIAM.

6. Establish a Board of Survey to review instances of lost or damaged WCF equipment as required by DOT Order 4410.4.

7. Develop and implement a process for verifying the timely and accurate entry of laptop computer data into OFIAM's official personal property system of record, to include establishing data entry timeframes, key fields (e.g., procurement and delivery dates), and quality control checks.

8. Develop and implement procedures for conducting the annual property inventory to include obtaining missing hand receipts or a similar control and timely resolution of discrepancies for WCF laptops. Implementation of this recommendation could result in $2.9 million in funds put to better use.

# Agency Comments and OIG Response

We provided OST with our draft report on September 5, 2019, and received its response on October 7, 2019, which is included as an appendix to this report. OST concurred with recommendations 1, 2, 3, 4, 5, 6, and 7 as written and provided appropriate actions and completion dates. Accordingly, we consider these recommendations resolved but open pending completion of planned actions. OST partially concurred with recommendation 8, as detailed below.

For recommendation 8, OST agreed with our recommended action but did not agree with the $2.9 million in funds we identified that could be put to better use. In its response, OST stated that all laptops in question are now accounted for through "alternate means." While we recognize there might be other ways of verifying the location of the laptops in question, DOT policy currently requires physical inventories to validate the official property record. This policy also recommends that equipment be assigned to the individual user via a hand receipt or a similar form. We requested documentation, including hand receipts, on numerous occasions throughout our audit, which OST was unable to provide. As such, we cannot validate whether OST's alternate means comply with current departmental requirements. Moreover, verifying the items in our sample does not negate the need for OST to do so for all unaccounted items within the entire universe of 5,448 laptops/tablets. Failure to properly account for all laptops and tablets leaves DOT at risk of losing the value of those missing items if they are left sitting idle or could result in expending unnecessary funds to procure laptops when others may be available for use.

OST also questioned the inclusion of iPads in our sample, noting that they fall under the wireless program and involve separate asset management procedures. However, iPads—as with laptops and tablets—still must comply with DOT policy with respect to accountability of equipment and record keeping (i.e., hand receipts or a similar control). As such, we stand by our original sample selection methodology as well as our overall projection of $2.9 million in funds that could be put to better use.

Despite its partial concurrence with recommendation 8, OST agreed with our recommended action and provided a target completion date. Therefore, we consider this recommendation resolved but open pending completion of the planned actions.

# Actions Required

We consider recommendations 1 through 8 resolved but open pending completion of planned actions.

# **Exhibit A.** Scope and Methodology

We conducted this audit between March 2018 and September 2019 in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Generally accepted Government auditing standards also requires us to disclose impairments of independence or any appearance thereof. OMB requires that all Federal agencies procure laptops from a GWAC, including DOT-OIG. Although OIG procures a small number of laptops, subjecting it to the same review as the rest of the Department does not impair our ability to conduct this audit.

To assess whether DOT is following OMB's requirements on purchases of laptop computers, we reviewed relevant Federal acquisition, OMB, and DOT policies and guidance. In addition, we interviewed officials from the OCIO, OSPE, and 11 OAs regarding Department-level guidance on OMB and laptop procurement requirements.

Furthermore, we requested and received a list of all laptop orders and their corresponding procurement documentation from each OA from fiscal years 2016 to 2017. As a result, we compiled a list of 82 laptop procurements from the following 11 OAs: FHWA, FMCSA, FRA, FTA, MARAD, NHTSA, OIG, OST, PHMSA, SLSDC, and VOLPE. We excluded FAA since OMB's guidance did not apply to FAA.

To validate the accuracy of the list of laptop orders, we compared these data against procurement documentation to verify that the OA-identified procurement vehicle was (1) an OMB-approved source, and (2) included laptops purchases. We also conducted a physical completeness check at each OA to obtain barcode information and used CENOTRACK and/or procurement documentation to verify if the randomly selected laptops were purchased from 1 of the Department's 82 laptop procurements. As part of this completeness check, we verified that 10 of 13 (77 percent) laptops randomly selected were purchased from 1 of these 82 procurements. We determined the data were sufficiently reliable for our audit.

To assess individual agency procedures for receipt, inspection, and acceptance, as well as assess whether internal controls are in place to account for laptops in DOT's inventory management system after acceptance, we reviewed (1) FAR and departmental criteria on receipt, inspection, and acceptance; (2) GAO Internal Control standards; (3) OFIAM and ITSS policies and procedures for conducting annual inventories and resolving discrepancies; and (4) other Government agency leading practices relevant to our objectives. We also interviewed officials from

(1) OFIAM, which manages all DOT assets, and (2) ITSS, which manages all WCF-purchased IT assets.

Our universe consisted of laptops purchased by OST's WCF that were delivered to DOT within fiscal years 2013 to 2017 and compiled by OFIAM using CENOTRACK. Our universe included the following nine OAs: FHWA, FMCSA, FRA, FTA, MARAD, NHTSA, OST, PHMSA, and SLSDC, which consisted of 5,448 laptops valued at $8.6 million. We excluded FAA, OIG, and VOLPE because they are not on the COE and they do not procure laptops through the WCF. We selected a simple random sample of 67 laptops[39] valued at $107,559 from this universe, to allow for estimates with a confidence level of 90 percent and a margin of error no greater than +/- 10 percent. We validated the accuracy of our universe by comparing laptop information such as serial numbers, delivery, and procurement dates in CENOTRACK and Remedy to ensure the information matched. We also conducted a physical completeness check by randomly selecting at least two WCF laptops from the nine OAs that use WCF, for a total of 18 laptops. We verified the laptops' serial numbers, and if the laptops were received by DOT between fiscal years 2013 and 2017. We verified that all 18 (100 percent) laptops were part of the WCF universe, and determined the universe was reliable for our audit purposes.

To determine that the laptop transfer record was accurate, we requested hand receipts from OFIAM and ITSS. We received one hand receipt for our sample and compared the current location to the recorded location in CENOTRACK to see if the information matched.

To analyze discrepancies, we reviewed the 2017 annual inventory discrepancy reports for three ITSS program areas and identified a total of 1,960 WCF laptops and tablets. We compared this list of discrepancies to our audit sample and determined that the barcodes for 23 of these laptops matched barcodes for our sample of 67 laptops. We then requested documentation to determine if these 23 laptop discrepancies were resolved, i.e., the laptop was located and an updated hand receipt was obtained.

To further evaluate DOT's internal controls and physical security controls, we conducted site visits to (1) Frederick, MD, to verify OST's imaging contractor's security features in place, and imaging procedures, and (2) to Landover, MD, to observe security features in place at the DOT warehouse. We selected these locations because Frederick, MD, performs all of the imaging for the WCF, and Landover, MD, stores any surplus inventory for WCF.

[39] Nine of 67 laptops were tablets and/or iPads.

# **Exhibit B.** Organizations Visited or Contacted

## Department of Transportation Facilities

Federal Highway Administration Headquarters

Federal Motor Carrier Safety Administration Headquarters

Federal Railroad Administration Headquarters

Federal Transit Administration Headquarters

Maritime Administration Headquarters

National Highway Traffic Safety Administration Headquarters

Office of Inspector General Headquarters

Office of the Secretary of Transportation Headquarters

Pipeline and Hazardous Materials Safety Administration Headquarters

Saint Lawrence Seaway Development Corporation Headquarters

Volpe National Transportation Systems Center

National Highway Traffic Safety Administration Field Office

Federal Transit Administration Field Offices

Department of Transportation Warehouse

## Other Organizations

Critical Solutions for IT Professionals (CSP)

# **Exhibit C.** List of Acronyms

| | |
|---|---|
| CIO-CS | Chief Information Officer – Commodities and Solutions |
| COE | Common Operating Environment |
| DOT | Department of Transportation |
| FAA | Federal Aviation Administration |
| FAR | Federal Acquisition Regulation |
| FHWA | Federal Highway Administration |
| FITARA | Federal Information Technology Acquisition Reform Act |
| FMCSA | Federal Motor Carrier Safety Administration |
| FRA | Federal Railroad Administration |
| FTA | Federal Transit Administration |
| GAO | Government Accountability Office |
| GSA | General Service Administration |
| GWAC | Government-wide Acquisition Contract |
| HHS | Department of Health and Human Services |
| IDIQ | Indefinite Delivery Indefinite Quantity |
| IT | Information Technology |
| ITSS | Information Technology Shared Services |
| MARAD | Maritime Administration |
| NHTSA | National Highway Traffic Safety Administration |
| NIH | National Institutes of Health |
| NITAAC | NIH Information Technology Acquisition and Assessment Center |
| OA | Operating Administration |
| OASA | Office of the Assistant Secretary for Administration |
| OCIO | Office of Chief Information Officer |
| OFIAM | Office of Facilities, Information, and Asset Management |
| OIG | Office of Inspector General |
| OMB | Office of Management and Budget |

| | |
|---|---|
| OSPE | Office of Senior Procurement Executive |
| OST | Office of the Secretary of Transportation |
| PHMSA | Pipeline and Hazardous Materials Safety Administration |
| SAVES | Strategic Sourcing for the Acquisition of Various Equipment & Supplies |
| SLSDC | Saint Lawrence Seaway Development Corporation |
| WCF | Working Capital Fund |

# **Exhibit D.** Major Contributors to This Report

| | |
|---|---|
| ANTHONY **WYSOCKI** | PROGRAM DIRECTOR |
| DARREN **MURPHY** | PROGRAM DIRECTOR |
| HEIDI **BROEKEMEIER** | PROJECT MANAGER |
| ANGELA **SAVINI** | PROJECT MANAGER |
| PAUL **STARK** | SENIOR ANALYST |
| CURTIS **DOW** | SENIOR ANALYST |
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| AUDRE **AZUOLAS** | SENIOR TECHNICAL WRITER |
| PETRA **SWARTZLANDER** | SENIOR STATISTICIAN |
| MAKESI **ORMOND** | STATISTICIAN |
| FRITZ **SWARTZBAUGH** | ASSOCIATE COUNSEL |
| BRET **STOLLE** | CRIMINAL INVESTIGATOR |
| SHAWN **SALES** | VISUAL COMM. SPECIALIST |

# Appendix E. Agency Comments

U.S. Department
of Transportation

Office of the Secretary
of Transportation

1200 New Jersey Avenue SE
Washington, DC 20590

OCT 07 2019

Subject: **INFORMATION**: Management Response to the Office of Inspector General's (OIG) Draft Report –DOT's Oversight and Acquisition of Laptops

From: Kristen Baldwin
Deputy Chief Information Officer

Keith Washington
Deputy Assistant Secretary for Administration

To: Mary Kay Langan-Feirson
Assistant Inspector General for Acquisition and
Procurement Audits

As part of the Department of Transportation's (Department or DOT) digital transformation initiative, Destinations*DIGITAL,* the Department has made significant changes to the way it acquires and manages laptop computers. DOT components, except for the Federal Aviation Administration (FAA) and Office of the Inspector General (OIG), increasingly buy laptops and other commodity IT through our IT Shared Services (ITSS) organization and the Working Capital Fund (WCF). This centralization of commodity IT acquisition is ensuring consistency of configuration, economies of scale for pricing, and compliance with Office of Management and Budget (OMB) policy for use of approved government-wide acquisition vehicles (GWAC).

We have several efforts underway or completed to further improve the Department's acquisition and management of laptops:

- Required all Operating Administrations (OAs) (FAA and OIG excepted) to purchase laptops through, or coordinate with, the WCF to ensure standardization of laptop/ desktop infrastructure throughout the Department in support of the Department's IT shared services initiative;
- Documented and implemented the IT spend plan process to provide the Office of the Chief Information Officer (OCIO) with more visibility into DOT OA IT acquisitions and purchases, including laptops;
- Issued DOT DASH 2016-01 that reinforces the requirement for DOT OAs (excluding FAA) to purchase laptops using one of the OMB-approved GWACs;
- Assigned an individual OCIO Customer Advocacy Manager to each OA to ensure IT acquisitions are aligned with Departmental standards and requirements, providing guidance to OAs for decision making on IT acquisitions; and

- Installed cameras and related cabling necessary for secure monitoring at the CIO Data Center and two separate asset rooms in the East Building. As part of an effort to systematically upgrade physical security and monitoring controls for sensitive locations within DOT's headquarters building, OCIO is in the process of evaluating options for upgrading security for the asset room in the West Building.

Based on our review of the draft report, we concur with the eight recommendations, as written, but do not concur with the finding that estimates $2.9 million in funds could be put to better use. We acknowledge that the use of hand receipts as evidence of internal controls leaves opportunity for improvement. OCIO and the Office of Facilities, Information and Asset Management will take steps to reestablish internal control procedures for the items in question, consistent with current asset visibility (i.e., System Center Configuration Manager (SCCM) Remedy, or physical location validation).

As part of the audit, we have demonstrated that all the laptops in question are accounted for through alternate means. For instance, six of the 67 units included in the sample size, or 9 percent, are iPads. These iPads do not fall within the scope of laptop asset inventory; rather, OCIO follows separate asset management procedures for iPads under the wireless program. Of the remaining 61 units in the sample, 22 units had valid hand receipts, two units were in inventory, six units were excessed as end-of-life, one unit was with the vendor for repair, 27 units had assignments validated through Remedy / SCCM, and three units had validated SCCM workstation names. The inclusion of iPads in the sample size, as well as rejection of alternate means of asset accountability, misrepresents the accuracy of the physical control and safeguarding of assets.

The Department believes that the lack of reconciliation of paper receipts for laptops cited in the draft report on page 18 does not equate to misplaced assets. While the Department agrees that implementing these recommendations will improve management of laptops, the draft report does not reflect that there is sufficient evidence that the sampled laptops were all accounted for. As a result, the Department believes the assertion that $2.9 million in funds could have been put to better use lacks a sufficient analytical foundation.

We plan to complete actions to implement the 8 recommendations as follows: recommendation 1 and 2 by December 31, 2019; recommendations 3, 4, and 5 by September 30, 2020;* and recommendations 6 and 7 by September 30, 2021. We partially concur with recommendation 8 and plan to implement the recommendation by September 30, 2021, but we do not concur with the estimate of funds put to better use as noted above.

We appreciate the opportunity to comment on OIG's draft report. If you have any questions, please contact Steve Holden, Associate Chief Information Officer, at 202-366-2498.

* Implementation of recommendation 3 is subject to the availability of funding in Fiscal Year 2020.

U.S. DOT OIG

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