

**PROTECTING THE PUBLIC:  
Bureau of the Public Debt's Control  
Over Computers Needs To Be Improved**

OIG-02-116

September 11, 2002



**Office of Inspector General**

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**The Department of the Treasury**

# Contents

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<b>Audit Report</b> .....	2
Results in Brief.....	3
Background .....	4
Finding and Recommendation .....	4
BPD Lacked Independence in the Loss Review Process.....	4
Recommendation .....	6

## Appendices

Appendix 1: Objectives, Scope, and Methodology .....	8
Appendix 2: Management Response .....	10
Appendix 3: Major Contributors To This Report .....	11
Appendix 4: Report Distribution .....	12

## Abbreviations

BOS	Board of Survey
BPD	Bureau of the Public Debt
DAS	Director, Administrative Services
FY	Fiscal Year
OIG	Office of Inspector General

*The Department of the Treasury  
Office of Inspector General*

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September 11, 2002

Van Zeck  
Commissioner  
Bureau of the Public Debt

We conducted an audit of the Bureau of the Public Debt (BPD) controls over selected property items that, if lost or stolen, might compromise national security, the public's safety, or ongoing investigations. Sensitive property at BPD included computers only. Based on our audit, we judged that the risk that these property items could be lost or stolen was moderate. BPD had written guidance, directives, and procedures for managing and safeguarding computers. BPD required reporting, administrative review, and a determination of liability for all lost or stolen items. However, we noted that BPD's annual physical inventory of computers did not provide evidence of an independent review of computer losses in the two most recent fiscal years. Therefore, the loss review process provided inadequate internal control against loss or theft.

We conducted this audit at the request of Senator Charles E. Grassley, member of the Senate Committee on Finance. Our specific objectives were to answer the following questions:

1. Are Treasury's inventory regulations sufficient to prevent loss or theft of its inventory?
2. Which Treasury bureaus are most susceptible to inventory loss or theft and why?
3. Have any Treasury inventory items been identified as lost or stolen within the last 3 fiscal years?
4. Does Treasury have a sufficient plan to recoup inventory that cannot be located?

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The audit fieldwork was performed from January to August 2002. We interviewed BPD officials and evaluated records and procedures. The scope of the review covered FY 1999 to FY 2001. See Appendix 1 for a more detailed description of the audit objectives, scope, and methodology.

## Results in Brief

BPD reported 33 computers lost or stolen during fiscal years (FY) 1999 through 2001, having a total acquisition cost of \$85,541. One computer was subsequently recovered. The total book value of the remaining computers was \$1,251. No employee was disciplined or held financially responsible for these losses. Our assessment of the risk that computers could be lost or stolen was moderate ( ● ).<sup>1</sup> BPD had written guidance, directives, and procedures for managing and safeguarding computers. It also required reporting, administrative review, and a determination of liability for all lost or stolen computers. BPD conducted annual physical inventories of its property, however, there was no evidence of independent review of computer losses the last two fiscal years. Therefore, the loss review process provided inadequate internal control against loss or theft.

We made one recommendation in the draft report recommending that the Commissioner ensure the Director of Administrative Services makes the recommendation on whether or not to convene a Board of Survey to the Executive Director and the decision discussed and documented at the Executive Board.

BPD concurred with the finding and recommendation. As a result, BPD has implemented revised procedures to ensure that the results of its annual property inventory are discussed with senior Public Debt officials and that a conscious decision be made each year as to whether a Board of Survey be convened.

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<sup>1</sup> Office of Inspector General (OIG) judgment ( ● Low ● Moderate ● High)

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## Background

BPD regulates the primary and secondary Treasury securities markets; ensures that reliable systems and processes are in place for purchasing and transferring Treasury securities; annually auctions and issues \$2 trillion of marketable securities; issues and redeems more than 100 million savings bonds each year; maintains more than \$400 billion in securities accounts directly for investors; and provides timely and accurate information on the public debt. While most BPD employees are in two locations - Parkersburg, West Virginia and Washington, D.C.- the bureau also has marketing personnel located in field offices throughout the country.

## Finding And Recommendation

### ● BPD Lacked Independence in the Loss Review Process

For FY 2001, BPD reported that it had 3,358 computers (2,963 desktops, 378 laptops, and 17 handheld). It also reported that 33 computers (24 desktops, 8 laptops, 1 handheld) had been lost or stolen during the audited period. One computer was subsequently recovered. The total depreciated value of the remaining computers was \$1,251. No employees were found financially liable for the missing computers. We judged the risk of loss or theft of computers to be moderate. BPD had written policies that addressed the proper management and safekeeping of computers. This factor reduced the risk of loss or theft. However, BPD had no independence in the loss review process. This factor increased the risk of loss or theft. In addition, BPD had controls that limited access to computer files and BPD's computer network. These controls decreased the risk that sensitive data would be compromised, even if a computer were lost or stolen.

During the course of conducting our audit work, and as a result of an internal management control review, BPD issued revised operating procedures for expendable and non-expendable property, which included detailed steps on reporting missing items to each Assistant Commissioner. Also, the Director of Administrative Services (DAS) recommendation to convene a Board of Survey (BOS) to investigate missing items will be sent to the Executive

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Director and the decision will be discussed at the Executive Board. These actions, if followed in the future, reduce the risk of future losses to a low level.

#### Written policies

BPD had written policies that provided guidance on the control and management of computers. These policies included conducting physical inventories; reporting lost or stolen items; determining employee accountability; obtaining computers from departing employees; and disposing of excess computers.

#### Physical inventories

BPD conducted and documented annual physical inventories of all computers. Items were scanned into the automated tracking system using a scanner. Discrepancies found during the scanning process were reported to the appropriate offices for investigation. We reviewed recent physical inventory reports and observed that any reported discrepancies were followed up and resolved between the offices and BPD headquarters property management personnel.

#### Data security

BPD had sensitive but unclassified information.<sup>2</sup> Accessing a computer or BPD network required access rights and a related password. All users of BPD information technology resources had to receive security training applicable to their assigned duties with annual refresher courses. BPD used a computer program, CLEARDRV, to purge and over-write all data on computers that were to be disposed of or transferred to a third-party.

These controls over data security decreased the risk that sensitive information would be compromised, even if a computer was lost or stolen.

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<sup>2</sup> BPD defined sensitive but unclassified information as information that the loss, misuse, or unauthorized access to or modification of could adversely affect the national interest, the conduct of Federal programs, or the privacy to which individuals are entitled under the Privacy Act.

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### Reporting, investigating, and recouping lost or stolen computers

BPD employees were required to immediately report lost, stolen, or damaged computers assigned to them. During the audited period, 33 computers were reported lost or stolen. One computer was subsequently recovered. The total book value of the remaining computers was \$1,251. No employee was disciplined or held financially responsible for any of the lost or stolen computers.

We reviewed a sample of five computer losses (the highest valued computer, one additional desktop and one laptop from FY 2001, and two laptops from FY 2000). BPD was unable to provide detail on the losses. It believed these computers were donated to area schools, but they were unable to provide any documentation to support this assertion. While a BOS was convened in FY 1999, no BOS was convened to investigate losses from FY 2000 and FY 2001. BDP policy did not mandate that a BOS be formed in the event of a loss.

BPD implemented new reporting procedures during the course of our conducting audit fieldwork. These new procedures require that the DAS make his recommendation to the Executive Director, if a BOS should be conducted and the decision discussed at the Executive Board.

### Recommendation

We recommend that the Commissioner ensure that:

1. The Director of Administrative Services makes the recommendation on whether or not to convene a Board of Survey to the Executive Director and the decision discussed and documented at the Executive Board.

### Management Comments

BPD agreed with the finding and recommendation. As a result, BPD has implemented revised procedures to ensure that the results of its annual property inventory are discussed with senior Public Debt officials and that a conscious decision be made each year as to whether a Board of Survey be convened.

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OIG Comments

We consider this recommendation to have a management decision with a final action completed.

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We appreciate the cooperation we received from BPD officials during this audit. If you wish to discuss this report, you may contact me at (312) 886-6300, ext. 118.

/s/

Roberta N. Rickey  
Regional Inspector General for Audit

The overall objective of this audit was to address concerns Senator Charles E. Grassley, member of the Senate Committee on Finance, raised regarding Treasury-wide inventory practices for items that if lost or stolen, might compromise the public's safety, national security, or ongoing investigations. Our specific objectives were to answer the following questions:

- (1) Are the bureau's policies and practices sufficient to prevent loss and theft?
- (2) What items have been lost or stolen during FY 99 – 01?
- (3) Does the bureau have a sufficient plan to recoup lost items?
- (4) What improvements can be made to prevent future losses?

At the BPD, we considered computers to be a sensitive property item. Our audit scope covered FY 1999, 2000, and 2001 (from October 1, 1998 through September 30, 2001). To accomplish our objectives, we requested data on inventory levels at or near the end of FY 2001<sup>3</sup> and computers reported lost/stolen during FY 1999 – FY 2001; reviewed pertinent laws and regulations; reviewed written bureau policies; reviewed the latest physical inventory reports; and reviewed reports/ investigations related to lost/stolen computers.

To assess the risk of loss or theft of sensitive items, we examined elements related to six factors: Policies, Physical Controls, Inventory Records, Physical Counts, Quantity, and Threat.

Policies - establish management guidelines and standards.

Physical Controls - limit access.

Property Records - identify accountability.

Physical Counts - assure reliability of records.

Quantity - impacts the opportunity for loss or theft.

Threat - includes ease of loss and harm of unauthorized use.

Having weighed these factors and the resulting overall control environment, we assigned a risk factor of low (●), moderate (●), or high (●).

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<sup>3</sup> The date of the reported inventory levels for the computers was from August 2001.

Appendix 1  
Objectives, Scope and Methodology

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We conducted our audit between January and August 2002 in accordance with generally accepted government auditing standards.

Appendix 2  
Management Response



DEPARTMENT OF THE TREASURY  
BUREAU OF THE PUBLIC DEBT  
WASHINGTON, DC 20239-0001

September 6, 2002

Roberta N. Rickey  
Regional Inspector General for Audit  
U.S. Department of the Treasury  
Office of the Inspector General  
55 W. Monroe Street, Suite 510  
Chicago, IL 60603

Ms. Rickey:

We appreciate the opportunity to comment on the Office of the Inspector General's draft report, PROTECTING THE PUBLIC: Bureau of the Public Debt's Control Over Computers Needs to Be Improved. We value your input regarding our ongoing process of reviewing and improving Public Debt's property management program.

We agree with your one recommendation and have implemented revised procedures to ensure that the results of our annual property inventory are discussed with senior Public Debt officials and that a conscious decision be made each year as to whether a Board of Survey be convened.

Sincerely,

  
Van Zeck  
Commissioner

[www.publicdebt.treas.gov](http://www.publicdebt.treas.gov)

**Central Region**

Roberta N. Rickey, Regional Inspector General  
Charles Allberry, Audit Manager  
Bradley Mosher, Audit Manager  
Claire Schmidt, Auditor

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Office of the Assistant Secretary of the Treasury for  
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OMB Budget Examiner