

THE U.S. MARSHALS SERVICE'S CONTROL OVER WEAPONS AND LAPTOP COMPUTERS

EXECUTIVE SUMMARY

Department of Justice (Department) components maintain a large inventory of property, such as weapons and laptop computers, that could result in danger to the public or compromise national security or investigations, if not properly controlled. In March 2001, the Office of the Inspector General (OIG) audited the Immigration and Naturalization Service's (INS) management of its property and found, among other things, that the INS did not have adequate controls over weapons and computers, which resulted in many INS weapons being lost or stolen. After that audit, the Federal Bureau of Investigation (FBI) disclosed that many weapons and laptops were missing from its inventory.

In response to concerns about the Department's accountability for its weapons and laptops, the Attorney General asked the OIG to conduct audits of the controls over the inventory of such property throughout the Department. The OIG therefore conducted separate audits of the controls over weapons and laptop computers at the FBI, the Drug Enforcement Administration (DEA), the Federal Bureau of Prisons (BOP), and the United States Marshals Service (USMS).¹ The OIG will issue separate reports on the audits of each of these components, and a capping report describing all the audits when they are completed. This report covers the audit in the USMS.

The USMS's mission is to protect the federal courts and ensure the secure operation of the judicial system, including apprehending fugitives, protecting witnesses, and transporting prisoners. As of January 2002, the agency had a total of 6,261 law enforcement personnel (3,443 of which are contract court security officers) throughout the United States and its territories. As of August 28, 2001, the USMS identified an inventory of 14,361 weapons and 1,450 laptop computers that assist the USMS in performing its law enforcement mission. Our audit objectives were to review the USMS's: (1) actions taken in response to the identification of lost or stolen weapons and laptop computers, and (2) management controls over these types of equipment.

In brief, our audit revealed deficiencies in the USMS's policies and practices related to lost and stolen equipment. In addition, we identified weaknesses in the property management cycle related to purchases, the

¹ Since we had recently completed an audit of the INS's management of property in March 2001, we did not include the component in this review of weapons and laptop computers.

return of equipment from separated employees, and physical inventories. Specifically:

- The USMS reported 6 weapons and 56 laptop computers as lost or stolen during the 2 years covered by our audit, and 23 percent of these losses were attributed to undocumented destruction or transfer. Although the number of losses in relation to the universe is small, the sensitive nature of these items and the potential for public harm intensifies the significance of each loss.
- Lost and stolen weapons and laptop computers were not always reported timely, and reports to the Department were not complete. Further, the reporting process does not ensure that all necessary information is captured to aid the investigation and possible recovery of the losses. For example, the date the loss was discovered and the sensitivity of data stored on lost laptop computers are not specifically required to be reported.
- The USMS Board of Survey, which is responsible for reviewing property losses, has not convened since November 2000. As a result, 50 of the 62 reported losses of weapons and laptop computers have not been adjudicated. In the remaining 12 cases, the Board did not recommend disciplinary action, but often noted that the losses could have been prevented through closer adherence to property management guidelines.
- The property management system is not integrated with the accounting systems. The procedure for ensuring that all purchased property is entered into the property system is entirely paper-driven. We found that nine percent of the weapons and laptop computers identified from purchase documents had not been entered into the official property database in a timely manner. Property not recorded in the official property system is highly susceptible to loss because its theft or misappropriation could go unnoticed.
- The USMS's policies and practices do not adequately support the return of property from employees who leave the USMS. Although the USMS requires a standard form to be completed for separating employees, the form has not been used on a consistent basis, and does not expressly identify the return of weapons.
- USMS policy requires weapons inventories to be certified annually; however, the policy does not require the submission of these certifications to be monitored by Headquarters personnel. In

addition, biennial physical inventories of accountable property have not always been timely.

- According to USMS management, the agency maintains a limited supply of stun guns and stun belts, but these items are not categorized as accountable property. In our judgment, these potentially dangerous devices, which emit electrical charges to temporarily immobilize individuals, are susceptible to loss because they are not subject to physical inventory and inclusion in the official property management system.

The details of the audit results are contained in the Findings and Recommendations section of the report. Additional information on our audit objectives, scope, and methodology is contained in Appendix I.

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INTRODUCTION

The Department of Justice (Department) maintains a large inventory of property that, if not properly controlled, could result in either a danger to the public (i.e., weapons), or could compromise national security or law enforcement activities (i.e., laptop computers). In response to reports of significant losses at the Immigration and Naturalization Service (INS) and the Federal Bureau of Investigation (FBI), the Attorney General expressed concern over the Department's ability to account for and safeguard this property. As a result, he asked the Office of the Inspector General (OIG) to conduct audits of the controls over the inventory of such property throughout the Department. The OIG conducted separate audits of the controls over weapons and laptop computers at the FBI, the Drug Enforcement Administration (DEA), the Federal Bureau of Prisons (BOP), and the United States Marshals Service (USMS).² This report covers the audit in the USMS.

Our audit objectives were to review the USMS's: (1) actions taken in response to the identification of lost or stolen weapons and laptop computers, and (2) management controls over these types of equipment. Additional information on our audit objectives, scope, and methodology is contained in Appendix I.

Background

The USMS is responsible for providing federal court security, transporting prisoners and extradited criminals, apprehending fugitives, and protecting government witnesses. The USMS employs 2,818 career law enforcement officers, 3,443 contract court security officers, and 1,300 managerial and administrative personnel. Employees are assigned to USMS Headquarters³ in Arlington, Virginia; 94 District Offices across the U.S.; the Special Operations Group at Camp Beauregard, Louisiana; and a federal law enforcement training facility (FLETC) in Glynco, Georgia.

USMS employees authorized to carry firearms (e.g., Marshals and Deputy Marshals) are required to carry an approved primary handgun while on duty and are authorized to carry the weapon while off duty. In addition, they are allowed to carry an approved secondary handgun. The use of personally owned weapons is allowed if the weapon is an approved make and model; personally owned weapons must be approved in writing by a

² We did not repeat our March 2001 audit of the INS's management of property.

³ Organizationally, USMS Headquarters is divided into eight Divisions and numerous sub-offices, referred to as Headquarters Units.

USMS supervisor. Each contract court security officer is issued a USMS owned handgun for use while on duty. They are not authorized by the USMS to carry personally owned weapons while on duty or to carry their USMS firearms while off duty; they must turn in their USMS weapon at the end of each shift. In addition to the individually assigned weapons, the USMS maintains a pool of additional weapons for assignment and use as needed.

As of August 28, 2001, the USMS reported that it had an inventory of 14,361 weapons and 1,450 laptop computers to assist its employees perform their law enforcement mission. Weapons used by the USMS include revolvers, semi-automatic pistols, rifles, carbines, shotguns, tear gas guns, machine and submachine guns, stun guns, and stun belts.

The Department's Security and Emergency Planning Staff (SEPS) maintains records of the number of laptop computers each Department component has authorized for processing classified information. According to SEPS, no laptop computers in the USMS are authorized to process classified information. USMS officials confirmed that classified data is not processed on laptop computers. The stored data on these computers could range from administrative records to sensitive law enforcement information.

USMS Property Management System

Office of Management and Budget Circular A-123⁴ requires federal agencies to: (1) establish a management control system that provides reasonable assurance that assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and (2) ensure that transactions are promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports. The Justice Property Management Regulations⁵ require Department components to issue detailed operating procedures to protect federal property against fraud, waste, and abuse.

The USMS guidelines for the general management of property are contained in its Policy and Procedures Manual, Volume IV, Administrative Services, Chapter 1, Property Management (Property Manual).⁶ Guidance specifically related to the management of weapons is contained in the Firearms Policy.⁷ According to these guidelines, USMS employees are responsible for the proper and reasonable care and safeguarding of property

⁴ Management Accountability and Control, dated June 21, 1995.

⁵ Department of Justice Order (DOJ Order) 2400.3, dated August 6, 1998.

⁶ Edition 2, issued March 10, 1993.

⁷ USMS Policy Directive 01-10, issued May 25, 2001.

assigned to them or located in their work area. An employee whose negligence causes the loss of USMS property may be subject to disciplinary action.

Property Definitions - The Property Manual classifies property into three categories: expendable, non-expendable, and accountable. Property that has a useful life of less than 1 year, is complete within itself,⁸ is consumed or loses its identity in use, or is considered to be a supply item (e.g., pens, pencils, and paper) is classified as expendable property. Non-expendable property is defined as items with an initial acquisition value of less than \$1,000, is complete within itself, and has a useful life of 1 year or longer.

Property with an initial acquisition value of \$1,000 or more, is complete within itself, and has a useful life of 1 year or longer is considered accountable and is required to be recorded in the property management system. Also included in this category is capitalized property that has an initial acquisition value of \$25,000 or more and that must be posted to the general ledger and accounted for on the annual financial statements. In addition, some specific types of property have been identified as accountable regardless of value or life expectancy. These include projectile-launching devices (e.g., revolvers, rifles, and shotguns), firearms sighting equipment, and items with data storage capabilities (e.g., laptop computers).

Generally, the USMS categorizes laptop computers and weapons as accountable property. According to USMS management, it also maintains a limited supply of stun guns and stun belts⁹; these are excluded from the accountable property category as they are classified as non-projectile launching devices that are non-lethal in nature. The USMS's control of these potentially dangerous items is discussed further on page 20.

Property Management Personnel - The Office of Property Management (Property Office), within the Business Services Division, is responsible for ensuring reliable property management controls and accurate inventory records throughout the USMS. Its responsibilities include disseminating relevant policies and procedures; coordinating property inventories; reviewing and approving property management transactions; and maintaining the automated property system to track the acquisition, movement, and disposal of property.

⁸ For an item to be complete within itself, it must not be a component part of another item.

⁹ Stun guns are devices that direct an electrical charge that can disorient, temporarily immobilize, and stun a person without causing permanent injury. Stun belts similarly stun and temporarily immobilize a person by transmitting an electrical charge through a belt-like restraining device activated via remote control.

The Property Office is staffed with a Chief (the official Property Management Officer for the USMS), four Property Management Specialists, one computer specialist, and three contract personnel. All of the Property Management Specialists are certified by the National Property Management Association, a professional organization that provides education and testing in the area of asset management. The certification requires individuals to be well versed in federal property management policies and is granted upon successful completion of a multiple-part written examination.

Within a USMS District Office or a Headquarters Unit, a management official, such as the Chief Deputy Marshal or Division Chief, is designated as the Property Custodian and is ultimately responsible for all property within that organizational unit. This individual may then appoint a Property Officer to maintain the property records and files, often as a collateral duty. Each unit or office holding firearms also has a Weapons Custodian responsible for maintaining and verifying property records related to weapons. According to Property Office personnel, field level Property Officers are not required to receive property management-related training, but are encouraged to do so. All four local Property Officers we interviewed during the audit had attended training provided by the Property Office.

Automated System - The USMS official automated property management system, ARGIS, was designed to record all accountable and capitalized property management transactions, maintain property location (by office or unit), and provide various property management reports. The Justice Management Division, the administrative arm of the Department, acquired ARGIS and the USMS began using it in 1999. Use of ARGIS within the USMS is currently centralized and limited to staff in the Property Office; however, plans are underway to provide District Offices with access.

According to Property Office personnel, contract employees execute approximately 40,000 ARGIS updates each year, including additions, transfers, disposals, and corrections. USMS officials added that it is their policy to perform weekly quality checks of data entries.

Prior Reviews

The OIG previously audited the USMS's management of property in 1997.¹⁰ That audit found that all firearms selected from the official property records could be located. However, the report identified firearms that were not included in the official system, a significant number of other items that

¹⁰ Office of the Inspector General (OIG) Audit Report number 97-12, "USMS Management of Property and Capitalized Assets," dated April 1997.

could not be located, and inventories that were not performed timely. Further, we found that the accounting and property systems were not integrated. In response to the audit's recommendations, the USMS implemented ARGIS.

The USMS Program Review Team performs internal reviews of property management functions at District Offices during its regular internal inspections. Generally, Headquarters Units are reviewed upon request from a management official. The reviews include evaluating property management controls, reviewing property assignments and physical inventory documents, and testing property records. We examined the most recent reviews for the District Offices audited¹¹ and identified findings related to physical inventories, the completeness of property records, and hand receipts.

Audit Approach

We obtained from the USMS a listing of weapons and laptop computers identified as lost or stolen between October 1, 1999, and August 28, 2001. We reviewed the circumstances surrounding each loss and assessed the USMS's actions to report and investigate those items. Further, we looked for indications that the lost property resulted in physical harm to the public or compromised national security or investigative information. Our conclusions from the above analyses are presented in Finding I, and Appendices II and III contain a summary of our results.

We also reviewed the USMS's management controls over the purchase, receipt and assignment, inventory, and disposal of USMS-issued laptop computers and weapons. We then assessed these controls by reviewing property management activities at Headquarters and selected field locations. At each site, we: (1) evaluated relevant property management controls, (2) reviewed documentation practices, and (3) physically inspected property. We also tested, on a sample basis, the accuracy and completeness of the property records. The results of the above analyses are presented in Finding II; Appendix IV shows the distribution of the sampled property.

¹¹ The Headquarters Units audited had not been subjected to an internal review during our audit period.

FINDINGS AND RECOMMENDATIONS

I. ACTIONS TAKEN ON LOST AND STOLEN ITEMS

The USMS reported 6 weapons and 56 laptop computers as lost or stolen during the 2 years covered by our audit. Although the number of reported losses is small, the sensitive nature of these items and the possibility for public harm heightens the significance of each loss. Many of these losses were identified during physical inventories and were attributed to undocumented transfers or disposals. We found that the losses were not always reported in a timely manner and some have not been reported to the Department Security Officer as required. Further, the USMS Board of Survey, which is responsible for reviewing property loss incidents, has not convened since November 2000 and 50 of the 62 reported losses have not been adjudicated. We also found that the reporting process does not ensure that all necessary information is captured to aid the investigations and possible recovery.

Items Reported

According to the USMS Property Office, 6 weapons and 56 laptop computers were identified as lost or stolen during the 2 years covered by our audit, as shown below.

PROPERTY TYPE	LOST	STOLEN	OTHER¹²	TOTAL
WEAPONS ¹³	2	2	2	6
LAPTOP COMPUTERS	37	1	18	56
TOTALS	39	3	20	62

Source: USMS Property Office

¹² According to the USMS, these items were accidentally destroyed through fire or flood or were destroyed without authorization.

¹³ As previously discussed, the USMS does not categorize stun guns and stun belts as accountable property; therefore, these items are not included in the numbers identified in the table.

We reviewed the circumstances surrounding these losses and the actions taken by the USMS to document and follow up on each, including compliance with Department and internal regulations. In addition, we looked for indications that the losses resulted in physical harm to the public or compromised national security or investigative information.

Our review of the circumstances surrounding the 6 lost or stolen weapons and 56 laptop computers revealed that in some cases the losses were due to flood, hurricane, fire, or vehicle theft. At least 28 losses (45 percent) were identified through physical inventories, and 14 (23 percent) were attributed to undocumented transfers or disposals. Seven laptop computers reported lost were subsequently found, of which four had been transferred without proper documentation. To reduce future losses, the USMS should reiterate to its employees the importance of following property management guidelines and proper record keeping. The losses and related circumstances are summarized in Appendix II.

Reports and Investigations of Losses

We reviewed the documentation related to the property losses to determine if: (1) the responsible employee timely submitted the initial loss report, (2) firearms were promptly entered into the National Crime Information Center (NCIC),¹⁴ (3) the Board of Survey adjudicated the incidents in a timely manner, and (4) items were reported to the Department Security Officer. Our results are detailed below and summarized in Appendix III.

Initial Loss Reports – According to the USMS Property Manual, when accountable or non-expendable property is discovered to be lost, stolen, damaged, or destroyed, the responsible employee must immediately report the incident through his supervisor to the local Property Custodian. The employee must complete an Affidavit Regarding Lost, Stolen, or Unauthorized Destruction of Government Property (Form USM-134) and submit a copy to the Property Office.¹⁵ The USMS Firearms Policy contains further guidance related to the loss of weapons. Specifically, the responsible employee must submit the USM-134 to the responsible U.S. Marshal or Assistant Director within 24 hours of the discovery of the loss.

All 62 lost and stolen items were supported by a USM-134. In 22 instances (4 weapons and 18 laptop computers), the losses were

¹⁴ NCIC is a nationwide criminal justice information system maintained by the FBI that provides the criminal justice community with immediate access to information on weapons, missing persons, vehicles, license plates, and criminal history records.

¹⁵ A sample USM-134 is displayed in Appendix V.

reported as soon as practicable upon discovery of the loss. In 8 cases the USM-134s were not submitted timely: 1 weapon and 1 laptop computer were reported 33 and 50 days, respectively, after the initial discovery of the loss and a group of 6 laptop computers was reported 40 days after initial discovery.

In the remaining 32 instances (1 weapon and 31 laptop computers), we were unable to determine if the loss reports were filed timely because the documents did not identify the date the loss was discovered. Although the reporting requirements are based upon this date, the USM-134 only contains fields for the date of loss and the submission date. In instances where the exact loss date was unknown, the submitter often provided the date the item was last seen or believed to have been lost. In our judgment, the USM-134 should capture information such as the date the property loss was discovered to aid the investigation and possible recovery.

NCIC Report – The NCIC system is generally regarded by law enforcement agencies to be the primary nationwide method for tracking stolen firearms. The USMS Firearms Policy requires each lost or stolen weapon to be entered into NCIC, and the resulting “NIC” number is included on the USM-134. We examined NCIC records to determine if the six lost and stolen USMS weapons were promptly entered into the system. We determined that three were promptly reported and had an active NCIC record as of November 5, 2001. One weapon was reported lost on January 29, 2001, but was not entered into NCIC until February 13, 2001.

The remaining two weapons had not been entered into NCIC. According to the supporting documents, one weapon was in a vehicle that was destroyed in a fire in July 2001. The file for the remaining weapon indicated it was destroyed along with several similar weapons in May 2000, and inadvertently left off the destruction certification. According to Property Office personnel, since these weapons were not unaccounted for, they were not appropriate for entry into NCIC.

During our review of the NCIC records, we noted that the USM-134 did not have a field for recording the “NIC” number. As previously noted, USMS guidelines require this information to be provided; however, only one of the USM-134s reviewed was appropriately annotated. In our judgment, adding this field to the form could act as a reminder to enter lost or stolen weapons into NCIC.

Board of Survey – Upon receipt of loss reports, the Property Office must refer to the Board of Survey all losses of property with an acquisition cost in excess of \$1,000, and all incidents that are possibly the result of willful intent, gross negligence, misuse, theft, or misconduct. Although not

expressly required, Property Office officials stated that all weapons losses are referred to the Board. The Property Manual requires the Board to review all Property Office referrals.

The Board consists of a Chairperson, Vice-Chairperson, and approximately three other voting members appointed by the Director.¹⁶ In addition, USMS Headquarters property management, legal, and personnel representatives serve in non-voting advisory positions. The Board is required to review each loss report, determine employee responsibility, and recommend pecuniary liability, if warranted. In instances where employees are found responsible, the case is referred to the Employee Relations Division for possible disciplinary action. Upon completion of the Board's actions, the item may be removed from the accountable property inventory.

According to Property Office personnel, the Board of Survey generally meets three to four times per year, or within four months of a reported loss. However, we noted that the Board had not convened since November 2000. A meeting was scheduled for August 2001 but was postponed due to conflicting priorities. The Board was again scheduled to meet in late January 2002, but we were informed that the meeting did not take place because of conflicting priorities.¹⁷

We examined available Board of Survey files to determine if prompt action was taken to review the 62 lost and stolen weapons and laptop computers. In total, 50 of the items (4 weapons and 46 laptop computers) have not been adjudicated because they were reported after the Board's last meeting in November 2000.

The Board reviewed the remaining 12 items approximately 3 to 6 months after the loss reports were filed. The files reflected that the Board did not recommend disciplinary action in any of these cases because it did not find employee negligence. However, in response to the loss of three laptop computers, the Board issued letters to the responsible offices stating that the losses could have been prevented through closer compliance with property regulations. In addition, in response to the loss of six laptop computers in one office, the Board requested written assurance that controls had been strengthened and requested the Program Review Team to perform a property management review. At the time of our audit, the results of this review were not available.

¹⁶ The Board of Survey must have a minimum of three voting members; however the total contingent fluctuates.

¹⁷ According to USMS management, the meeting was postponed because Property Office personnel were engaged in tasks directly related to our audit.

In our judgment, the Board of Survey should meet regularly to ensure that property losses, especially sensitive items such as firearms and laptop computers, are reviewed expeditiously. In addition, meeting postponements should require approval of the Director or Deputy Director. The USMS should also revise its Property Manual to require the referral of all weapons losses to the Board of Survey.

Department Semiannual Report – Department regulations¹⁸ require all components to submit a semiannual report to the Department Security Officer summarizing losses of property that occurred during the previous six months. The component’s Security Programs Manager is required to prepare and submit the reports by January 31 and July 31 for the preceding six-month periods.

The USMS Office of Security reached an agreement with the Department Security Officer to submit annual reports for 2000 and 2001, instead of two semiannual reports per year. The USMS’s submissions during our two-year audit period are detailed in the following table.

REPORTING PERIOD	DUE DATE	DATE SUBMITTED
July 1 to December 31, 1999	January 31, 2000	January 31, 2000
January 1 to December 31, 2000	January 31, 2001	February 28, 2001
January 1 to December 31, 2001	January 31, 2002	Not submitted

Source: Department Security Officer

We reviewed the reports submitted, compared them to the Property Office’s list of lost and stolen weapons and laptop computers, and noted the following discrepancies.

- Thirty-five items (3 weapons and 32 laptop computers) were identified as lost or stolen in 2001. However, as of the date of our exit conference with the USMS on February 21, 2002, these losses had not been communicated to the Department because the USMS was in the process of submitting the report.
- Two laptop computers, reported lost on July 24 and November 6, 2000, were not reported to the Department. USMS management could not provide us with information justifying these omissions. Further, one weapon stolen on December 15, 2000, was not

¹⁸ DOJ Order 2630.2A, Protecting and Controlling Federally Controlled Property and Loss/Theft Reporting Procedures, dated October 4, 1977.

reported. According to USMS officials, the weapon was not included because the Property Office did not receive the USM-134 until after the Department report had been compiled.

- Five items (three weapons and two laptop computers) were reported to the Department, but were not included in the list the USMS provided to us. According to the Property Office, these items had been accounted for, and they were removed from the loss list. We verified the correct status of these items in ARGIS.

Indications of Public Harm

We attempted to determine if the USMS's losses of weapons and laptop computers resulted in harm to the public through loss of information or physical injury. For the lost weapons we queried NCIC and the Department of Treasury, Bureau of Alcohol, Tobacco, and Firearms (ATF) National Tracing Center database for any indication that law enforcement personnel recovered them through subsequent illegal activity. Neither system provided us with an indication that the weapons had been recovered or otherwise linked to criminal activity.

The USMS and SEPS officials told us that no USMS laptop computers were authorized to process classified materials as of August 2001. However, since six of the lost laptop computers were assigned to the USMS Investigative Services Division, Protective Operations Program, we inquired about the possibility of compromised sensitive witness information. Program officials informed us that personnel are restricted from placing sensitive information on their computers and, therefore, no compromising information should have been lost. Because the USM-134 does not capture the classification or sensitivity of information maintained on these computers and we did not have the ability to check the actual machines, this assertion could not be verified. In our judgment, the USMS should revise the USM-134 to include the level of classification or sensitivity of information maintained on computers or other equipment with data storage capability.

Conclusion

The USMS reported 6 weapons and 56 laptop computers as lost or stolen during the 2 years covered by our audit. Although the number of reported losses is small, the sensitive nature of these items and the possibility for public harm heightens the significance of each loss. Many of these losses were identified during physical inventories and were attributed to undocumented transfers or disposals.

As shown in the report, various reporting procedures were not always performed timely and some losses have not been reported to the Department Security Officer as required. Further, the USMS Board of Survey has not convened since November 2000 and 50 of 62 reported losses have not been adjudicated. We also found that the reporting process does not ensure that all necessary information is captured to aid the investigations and possible recovery.

Recommendations

We recommend that the Director of the USMS:

1. Reiterate to all Property Custodians the importance of following property management guidelines and maintaining proper records to reduce future losses through undocumented transfers or disposals.
2. Revise the USM-134 to include the date the loss was discovered, the "NIC" number for weapons losses, and the level of classification or sensitivity of information maintained on laptop computers or other equipment with data storage capability.
3. Reiterate to all USMS employees the policy for reporting losses of USMS property, including the submission of USM-134s and timing of NCIC entries.
4. Ensure that the Board of Survey promptly reviews all outstanding losses of weapons and laptop computers.
5. Institute a regular schedule for the Board of Survey to ensure timely review of lost and stolen property and require meeting postponements to be approved by the USMS Director or Deputy Director.
6. Revise the Board of Survey policy to make the referral and adjudication of all weapons losses mandatory.
7. Ensure the timely and complete submission of Department Theft Reports and that the Department is notified of previous omissions.

II. MANAGEMENT CONTROLS

Our review of the USMS’s management controls over weapons and laptop computers revealed areas that need improvement. Specifically, the property management system is not integrated with the accounting systems, and we found that nine percent of the weapons and laptop computers identified from purchase documents had not been entered into the property system timely. In addition, the USMS policies and practices do not adequately support that all property is returned from separated employees. Furthermore, USMS policy does not require management to ensure that annual weapons inventory certifications are submitted and include the renewal of hand receipts. Also, according to USMS officials, the agency’s limited supply of stun guns and stun belts are not classified as accountable property and, as such, are not required to be physically inventoried. In our judgment, the USMS should strengthen the aforementioned management controls to further safeguard property against loss.

We assessed the USMS’s compliance with OMB Circular A-123 and Federal Property Management Regulations, as well as Department and USMS guidance. Our review included an evaluation of the controls over property management activities, specifically related to weapons and laptop computers, at Headquarters and four field locations. Specifically, we reviewed the procedures for purchases, receipt and assignment, physical inventories, and disposal of accountable weapons and laptop computers. In addition, we tested, on a sample basis, the accuracy and reliability of the USMS property records. The universe of weapons and laptop computers for the locations audited is displayed in Appendix IV, Table 1. In total, we reviewed 461 items, as summarized in the following table and detailed in Appendix IV, Table 2.

TOTAL ITEMS REVIEWED						
	USMS Headquarters	FLETC	Northern District of Illinois	Southern District of California	Special Operations Group	TOTALS
WEAPONS	105	66	64	33	42	310
LAPTOP COMPUTERS	41	33	17	35	25	151
TOTALS	146	99	81	68	67	461

Purchases

The procurement of all new weapons is centralized and is to be coordinated with the USMS Procurement Office. District Offices or Headquarters Units in need of weapons are to submit a written request to the Procurement Office identifying the quantity, brand, and model of weapon. The request must also certify that funds are available and no suitable excess USMS weapons exist, and identify a point of contact and delivery address. The requested weapons must be a USMS-approved make and model, purchased from the manufacturer or an authorized distributor, and warranted as new. If the weapon does not meet these specifications, written approval must be obtained from the USMS Director or Deputy Director.

Conversely, laptop computer purchases are decentralized. Offices are allowed to use government credit cards or purchase orders for the acquisitions. The related financial transactions for weapon and laptop computer purchases are entered into one of two accounting systems depending upon whether it is a Headquarters or field office purchase. USMS Headquarters utilizes the Standardized Tracking, Accounting and Reporting System to record and execute financial transactions. USMS District Offices use the Financial Management System to account for transactions and make payments. Neither of these systems is integrated or reconciled with ARGIS to ensure that all accountable property is recorded in the official property system.

We judgmentally selected 118 weapons and 30 laptop computers from vendor invoices to determine if the items purchased were recorded in ARGIS; details of our sample, by location, appear in the following table.

ITEMS SELECTED FROM PURCHASE DOCUMENTS						
	USMS Headquarters	FLETC	Northern District of Illinois	Southern District of California	Special Operations Group	TOTALS
WEAPONS	76	35	0	0	7	118
LAPTOP COMPUTERS	10	3	0	14	3	30
TOTALS	86	38	0	14	10	148

Our tests revealed that 14 (11 weapons and 3 laptop computers) of the 148 items (9 percent) were not recorded in ARGIS as of August 28, 2001. In our judgment, the lack of integration and automated reconciliation of the financial and property systems contributed to this condition.

According to USMS officials, the procedure for ensuring that all purchased property is entered into ARGIS upon receipt is entirely paper-driven. Further, property system data for non-capitalized accountable property is not manually reconciled with purchase data from the accounting systems. Generally, the Property Office relies on the receipt of a copy of the receiving report and purchase documents. If the documents are misdirected, lost, or not submitted, the possibility exists that the property will not be entered into ARGIS until a physical inventory is completed.

As previously noted, lack of system integration and the untimely recording of property was reported in a prior OIG audit. Further, a similar finding was reported in the USMS's annual financial statements audit for FY 2000.¹⁹ The prior audit reported that the process for identifying and recording capitalized property additions did not ensure these functions were performed in a timely manner and recommended that the USMS improve controls to record property received by District Offices.

In our judgment, property not recorded in the official property system is highly susceptible to loss because its theft or misappropriation could go unnoticed. Further, integration of the financial and property systems would facilitate reconciliation between systems and improve data accuracy. The reconciliation is consistent with the Joint Financial Management Improvement Program guidelines for property management systems, OMB Circular A-123, and the Justice Property Management Regulations, requiring reasonable assurance that assets are safeguarded and records are accurate and complete. At the exit conference, officials informed us that plans are underway for full system integration; funds have been allocated and the interface should be functional in 2003.

Receipt and Assignment

Weapons and laptop computers are generally shipped directly from the vendor to the requesting office. Upon receipt, the receiving officer is to inspect and barcode²⁰ the property, and complete a receiving report. This

¹⁹ OIG Audit Report number 01-30 "USMS Annual Financial Statement Fiscal Year 2000," issued September 2001.

²⁰ The barcodes assign a unique identifier to each piece of USMS property, excluding weapons.

report and the procurement documents are to be submitted to the Property Office in order to update ARGIS.

The USMS has designated about 180 property accounts in ARGIS that identify the responsible office, such as each of the 94 District Offices and various Headquarters Units. Each piece of accountable property is assigned to one of these accounts. Generally, the database does not identify the sub-office within a District Office or Headquarters Unit, or identify the person to whom an item is assigned.

At the four field locations reviewed, the Property Officers used secondary systems to track items that were under their control on a day-to-day basis. An automated spreadsheet or database was used at three locations, and in one location, the Property Officer maintained a written list of all property in the property account. The Property Officers informed us that they used these systems to track individual assignments, make immediate changes to an item's specific location, and enter additional information as needed to manage and track the property (e.g., annotating items sent out for repair). According to USMS officials, when ARGIS is deployed to the District Offices, it should provide flexibility in maintaining detailed location information.

When a Property Custodian or Officer issues a laptop computer or weapon to an individual, the individual acknowledges acceptance of the item by signing a hand receipt (Form USM-325).²¹ USMS guidelines require hand receipts to be renewed at least annually for accountable property and every six months for weapons. The USMS generally maintained hand receipts to support the assignment of weapons and laptop computers to individuals.

The transfer of property items between property accounts is documented on a Property Transaction Document (USM-170).²² The transferring Property Custodian forwards the form to the receiving Property Custodian for notification. The form is signed, returned to acknowledge acceptance, and the transferred item is physically moved to its new location. The form is then sent to the Property Office so that ARGIS can be updated.

To test the accuracy and completeness of the property records, we attempted to physically verify the existence of selected weapons and laptop computers appearing in ARGIS. In addition, we selected a sample of weapons and laptop computers found at each location reviewed and attempted to trace them to ARGIS. In total, we physically inspected 313 items (192 weapons and 121 laptop computers), as shown in the

²¹ A sample USM-325 is displayed at Appendix VI.

²² A sample USM-170 is displayed at Appendix VII.

following table. Further details of our sample, by property type, location, and type of test, appear in Appendix IV, Tables 3 and 4.

ITEMS PHYSICALLY INSPECTED						
	USMS Headquarters	FLETC	Northern District of Illinois	Southern District of California	Special Operations Group	TOTALS
WEAPONS	29	31	64	33	35	192
LAPTOP COMPUTERS	31	30	17	21	22	121
TOTALS	60	61	81	54	57	313

All weapons were located. One laptop computer could not be located; it was assigned in ARGIS to the Information Technology Services (ITS) office at USMS Headquarters. According to ITS officials, the computer was sent to another office without transfer documents. It was later learned that the receiving office destroyed it because it was inoperable and they were unable to obtain necessary replacement parts. Upon our discovery of these events, ITS officials advised us they would prepare the necessary loss report and a copy of the report was provided to us after the exit conference. In another location, a laptop computer was identified as lost the week before our on-site work. According to officials at the site, the loss was identified during a physical inventory; we verified that a loss report was submitted.

In addition to the two unaccounted-for items discussed above, we identified five items which we inspected (two weapons and three laptop computers) that were not on the official listing dated August 28, 2001, provided to us by the Property Office.²³ No documentation was provided to explain why these items were not accounted for on the official listing provided to us.

Pooled Property – At each of the sites audited, the Property Custodian was responsible for unassigned weapons that were available for special assignment or issuance as needed. These weapons were physically secured either in a vault, in a cage within a vault, or in a separate armory building. In all cases, physical safeguards such as alarms, numeric keypads, and combination locks were used to limit access to the physical area and to secure the weapons. According to USMS officials, pooled weapons are temporarily assigned to individuals using the hand receipt process. At the

²³ At the exit conference, we provided USMS officials with a detailed listing of the omissions noted during our audit.

time of our audit, one location reviewed had pooled weapons on temporary assignment. We verified that these assignments were properly documented.

Only three sites had pooled laptop computers. According to the Property Officers, the process for temporarily issuing the property using hand receipts was the same as for the pooled weapons. Similarly, the items were adequately protected in a vault or secured area. None of these laptops were temporarily assigned at the time of our audit.

Specialized Equipment and Rapid Mobilization Teams – The USMS has a Special Operations Group (SOG), which is a specially trained tactical unit established to respond to emergencies anywhere in the United States or its territories. The SOG is made up of a small, full-time contingent of operational and administrative personnel located in Camp Beauregard, Louisiana, and Deputy Marshals who are on call in various District Offices.

On September 11, 2001, we were on site when the SOG received its mobilization orders to respond to the terrorist attacks. We observed the highly organized weapons storage system and their mobilization efforts. According to the Weapons Custodians, their procedure is to gather needed equipment and create hand receipts. They further advised that the hand receipts are later signed by the individual receiving the weapon in the field and again upon return to the Weapons Custodians. At the completion of an assignment and return to Camp Beauregard, the equipment is to be inventoried, reconciled with the count of items removed upon mobilization, and secured in the armory.

Separated Employees – USMS guidelines require departing USMS employees to sign the Employee Exit Check Out Record (Form USM-199)²⁴ certifying that all equipment was returned. Although the form specifically refers to the return of keys and access materials, computer equipment, and badges and credentials, it does not expressly identify weapons and does not require the signature of the Property or Weapons Custodian.

We requested USM-199s for 17 separated employees and none were readily available. According to responsible officials, they were unaware of the form or were unsure if it had been completed. At the exit conference, USMS officials provided us copies of three USM-199s, which they located after an exhaustive search. The inability to produce the other documents is further aggravated by the fact that USMS guidelines require hand receipts for separated individuals to be destroyed upon return of the property. Once these are destroyed, it is not possible to identify what property was assigned to the individual and, therefore, to verify that it was returned.

²⁴ A sample USM-199 is displayed in Appendix VIII.

In our judgment, the USMS must ensure that adequate steps are taken to make certain that all property is retrieved from separated employees and the process is adequately documented. For example, the USM-199 can be modified to specify weapons and include the signature of the Property and Weapons Custodians, and the related hand receipts can be cancelled and retained for a specified time period.

Physical Inventories

USMS guidelines require each District Office and Headquarters Unit that represents a property account in ARGIS to conduct biennial physical inventories of all non-capitalized²⁵ accountable property, unless a recent inventory was required due to a change in Property Custodian. The 2-year cycle is implemented on a continual basis. According to Property Office officials, they maintain a list of physical inventories conducted and generally initiate a new inventory before the end of the cycle. Property Office officials further advised that this continuous method ensures that the entire USMS is not undergoing a biennial inventory at the same time. In theory, one unit or another is in the inventory process at any given time.

The Property Office provides an ARGIS printout to the responsible office along with instructions for completing the inventory. The instructions state that the Property Custodian must not take part in the inventory to ensure adequate separation of duties and to maintain the integrity of the process. Upon completion of the inventory, all discrepancies between the ARGIS printout and the physical inventory are to be researched, and additions, deletions, or changes are to be listed on an Inventory Adjustment Voucher (Form USM-215).²⁶ The annotated inventory and USM-215s, certified by the Property Custodian, are to be returned to the Property Office within 45 days, where the necessary adjustments are made to the official property records in ARGIS. Once ARGIS is updated, the Property Office sends a revised printout to the submitting office for its review and use.

In addition to biennial accountable property inventories, the USMS requires annual firearms inventories; weapons assignments and hand receipts are renewed semiannually during firearms qualifications.²⁷ Specifically, the Property Office must receive, by October 1 of each year, a memorandum certifying the completion of a weapons inventory and renewal

²⁵ Capitalized property is required to be inventoried annually.

²⁶ A sample USM-215 is displayed at Appendix IX.

²⁷ In weapons qualifications tests, USMS employees and contract personnel are required to substantiate their proficiency in firing weapons they are authorized to carry.

of hand receipts.²⁸ However, USMS policy does not require the Property Office to prompt Property Custodians to submit these certifications or monitor the certifications to ensure that all are submitted and include the renewal of hand receipts.

For the locations audited, we reviewed weapons inventory certifications and biennial physical inventory records to determine if the inventories were conducted as required. We found that the duties were adequately separated. However, in one location, an inventory was not conducted upon a change in Property Custodian. In two locations, the last biennial inventories exceeded the 2-year cycle by an average of 8 months. In another location, the scheduled biennial inventory was postponed due to the deployment of resources in response to the September 11 terrorist attacks.

Stun Guns and Stun Belts - The USMS's physical inventory policies raise a security concern for the control of stun guns and stun belts. According to USMS officials, the agency maintains a limited stock of these items and they are not designated as accountable property. Since non-accountable property is not subject to inclusion on the official USMS property records and physical inventory procedures, these potentially dangerous items are not adequately safeguarded against loss. Further, as the ownership and use of stun guns is restricted in some cities and states, the USMS should strengthen the control of these items and categorize them as accountable property.

Disposals

USMS policy allows for the transfer of excess weapons to other law enforcement agencies in need. However, according to Property Office personnel, excess, obsolete, or damaged firearms are generally destroyed. Excess laptop computers can be destroyed, transferred to another agency, or donated to a school. When disposing of laptop computers, USMS guidelines require the hard drives to be degaussed,²⁹ or removed entirely, to eliminate all data.

Property Custodians wishing to dispose of USMS property by any of the means detailed above are to request approval from the Property Office. Upon approval, the Property Custodian is responsible for providing a disposal

²⁸ The current USMS Firearms Policy was issued in May 2001. The prior policy, number 99-10 dated April 5, 1999, contained the same certification requirement; however, the submission date was September 1st of each year.

²⁹ Degaussing is the process of erasing computer data by neutralizing the magnetic field of the equipment.

certification within 30 days, which requires the signatures of the disposing individual and two witnesses, and includes the date and place of disposal.³⁰ USMS policy requires disposals to take place within 30 days of the Property Office's authorization; otherwise, the authorization is to be cancelled and the item is to remain in ARGIS.

Disposal actions are annotated in ARGIS as "deleted" and "authorized." The same designation is used when errors are made in recording property in the database; the incorrect entry is denoted as an authorized deletion so that duplicate records do not exist. Although the term "deleted" is used, these records are not permanently removed from the system.

Using ARGIS, we selected a sample of 15 weapons and 12 laptop computers that were designated as authorized deletions. Of the 27 records reviewed, 14 (6 weapons and 8 laptop computers) were the result of input errors and 13 were property disposals (9 weapons and 4 laptop computers). We verified that all deletions were supported by proper documentation, including the witnessing of weapon destruction and certification of data removal from laptop computers.

Conclusion

Our audit revealed weaknesses in the USMS's management controls over weapons and laptop computers. First, the accounting systems are not integrated with the property management system. As a result, accountable property is not always entered into the property system timely. At the exit conference, officials informed us that system integration is planned and is expected to be functional in 2003.

Second, the USMS should revise its policies and practices related to separated employees, physical inventories, and stun guns and stun belts. Specifically, the USMS must ensure that all property is returned from departing employees and that the process is adequately documented. Further, the USMS's physical inventory policy should require the Property Office to monitor the completion of annual weapons inventories. In addition, stun guns and stun belts should be categorized as accountable property.

³⁰ A sample certification is displayed in Appendix X.

Recommendations

We recommend that the Director of the USMS:

8. Integrate the property management and accounting systems to ensure that all purchased accountable property is added to ARGIS.
9. Instruct the Property Office to correct omissions identified in the property records, as discussed on pages 15 and 17.
10. Revise the policies and practices for documenting the return of property from separated employees to ensure that proper supporting documentation exists, including revising the USM-199 to expressly document the return of weapons and the signature of the Property Custodian.
11. Ensure that inventories are conducted as required, including those that were suspended or postponed due to recent emergencies.
12. Instruct the Property Office to begin prompting Property Custodians to take annual weapons inventories and institute a policy to ensure that related certifications are submitted and include the renewal of hand receipts.
13. Instruct the Property Office to categorize stun guns and stun belts as accountable property and include them in the official property records.