POLICY, OVERSIGHT, AND COMMUNICATIONS

A Recipe for Effective Property Management

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Executive Summary

POLICY, OVERSIGHT, AND COMMUNICATIONS

A Recipe for Effective Property Management

The Department of Health and Human Services, dedicated to promoting the health and well-being of American citizens, employs more than 120,000 people. To support its personnel, the Department maintains an inventory of equipment (referred to as personal property) of some 490,000 items with a total value of more than $1.5 billion. Public law and good business practice require it to manage that property effectively.

Within the Department, there are a number of personal property management programs, which vary in size, scope, and sophistication. We found opportunities to increase the effectiveness of many of them. Suggested improvements include management improvements at the Departmental level, streamlining of procedures used to transfer excess property to the General Services Administration, and better use of the Department's Logistics Management Advisory Group (LMAG).

The Acquisition and Logistics Research Staff (ALRS), under the Office of Acquisition and Grants Management, provides the Department's logistics functional expertise. We believe that the ALRS needs to do more to eliminate some confusion, duplication of effort, and lack of communication that we saw in the field. Specifically, the Department requires clearer property management policy guidance interpreting Federal guidelines for Departmental property managers. Particular attention should be paid to property management in regional offices. Policy has to be kept current as new technologies result in changes to the size and make-up of the Department's property inventory. The Department also needs an oversight capability to ensure that policy is being followed and to furnish feedback to the Secretary that equipment dollars are being used productively. Finally, the Department needs the capability to train and manage its property management work force in ways that will build its skills, capabilities, and sophistication.
One change outside the Department would also be helpful. Some of the Department's operating divisions have negotiated with the General Services Administration changes in excess property procedures to eliminate the large inventories they once had to manage. We believe that if such changes were negotiated at the Departmental level, as we saw in the Department of Agriculture, the tremendous administrative and space burdens of the Department's excess property programs could be reduced and more attention could be devoted to reutilization.

The ALRS has an important tool available to help it improve its effectiveness. The LMAG, consisting of the Department's key logisticians, has been used principally to disseminate information of general interest and to exchange ideas about logistics management. We believe that it can be used to do more: to examine logistics programs and issues and to recommend logistics policies, thus extending the capabilities of the ALRS.

With its small staff and broad responsibilities, the ALRS will find it difficult to improve its programs without help. We see two alternatives available to Departmental management: expand the ALRS, or augment it by directing the LMAG to assume more policy responsibility. We recommend a combination of both. The ALRS should be increased in size by at least two positions, while the LMAG should meet at least quarterly and be tasked to resolve outstanding logistics issues. Working together, they will strengthen the Department's property management capabilities.

Finally, we believe that management support for Department of Health and Human Services property management is less apparent than in other agencies we have visited. If the Department's property management programs are to be fully effective, senior management commitment needs to be expressed more clearly, more formally, and more frequently than in the past. We recommend that, at the very least, the Department's Assistant Secretary for Management and Budget send to the operating division heads a letter of strong management commitment.
## CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ExecutiveSummary</td>
<td>iii</td>
</tr>
<tr>
<td>Chapter 1. Introduction</td>
<td>1-1</td>
</tr>
<tr>
<td>Department Background and Management Philosophy</td>
<td>1-1</td>
</tr>
<tr>
<td>Report Organization</td>
<td>1-1</td>
</tr>
<tr>
<td>The Acquisition and Logistics Research Staff</td>
<td>1-3</td>
</tr>
<tr>
<td>Chapter 2. The Acquisition and Logistics Research Staff</td>
<td>2-1</td>
</tr>
<tr>
<td>Overview</td>
<td>2-1</td>
</tr>
<tr>
<td>Findings</td>
<td>2-2</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2-14</td>
</tr>
<tr>
<td>Recommendations</td>
<td>2-18</td>
</tr>
<tr>
<td>Recommendation 1: The ALRS Should Complete Its Revision of the MMM and Disseminate It as Soon as Possible</td>
<td>2-18</td>
</tr>
<tr>
<td>Recommendation 2: The ALRS Should Oversee Compliance with Departmental Policies Specified in the MMM</td>
<td>2-19</td>
</tr>
<tr>
<td>Recommendation 3: The ALRS Should Conduct More Frequent Meetings of the LMAG</td>
<td>2-19</td>
</tr>
<tr>
<td>Recommendation 4: The ALRS Should Use the LMAG as More than an Information Disseminating Group</td>
<td>2-20</td>
</tr>
<tr>
<td>Recommendation 5: The ALRS Should More Effectively Communicate Its Property Management Goals to the Operating Divisions and Agencies</td>
<td>2-21</td>
</tr>
<tr>
<td>Recommendation 6: The ALRS Should Disseminate a Departmental Logistics Directory to all Operating Divisions and Agencies</td>
<td>2-21</td>
</tr>
<tr>
<td>Recommendation 7: The ALRS Should Clarify and Carry Out Its Role as &quot;The Focal Point and Liaison for Policy Development, Technical Assistance, Oversight, and Training in the Area of Logistics&quot;</td>
<td>2-21</td>
</tr>
<tr>
<td>Recommendation 8: The ALRS Should Establish Training Standards to Improve the Qualifications of Personnel in Logistics and Property Management Positions Throughout the Department</td>
<td>2-23</td>
</tr>
<tr>
<td>Recommendation 9: The ALRS Should Negotiate Changes</td>
<td>2-23</td>
</tr>
</tbody>
</table>
CONTENTS (Continued)

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>with GSA to Improve Excess Property Management</td>
<td>2-24</td>
</tr>
<tr>
<td>Recommendation 10: The ALRS Should Establish Departmental Policy for Personal Property Management in the Regions</td>
<td>2-24</td>
</tr>
<tr>
<td>Recommendation 11: The ALRS Staff Should Be Expanded by a Minimum of Two Full-Time Equivalent Positions</td>
<td>2-25</td>
</tr>
<tr>
<td>Summary</td>
<td>2-25</td>
</tr>
<tr>
<td>Chapter 3. Management Involvement</td>
<td>3-1</td>
</tr>
<tr>
<td>Appendix Organizational Surveys</td>
<td>A-1 – A-46</td>
</tr>
</tbody>
</table>
CHAPTER 1
INTRODUCTION

DEPARTMENT BACKGROUND AND MANAGEMENT PHILOSOPHY

The Department of Health and Human Services (DHHS), dedicated to promoting the health and well-being of American citizens, employs more than 120,000 people and has the largest budget of any department in the Federal Government. To support the execution of the extensive programs carried out by its large staff, DHHS requires substantial logistics support, especially in the areas of personal property and excess property management.

The Department is organized into five operating divisions, generally along functional lines (Figure 1-1). The operating divisions carry out the Department’s programmatic responsibilities. Generally speaking, the responsibility for managing the major programs has been given directly to the chief executives of the operating divisions. That arrangement leaves the Secretary and his staff (collectively called the Office of the Secretary (OS)) with the primary responsibility of managing the Department’s administrative and budgetary functions and coordinating the interrelated activities of the operating divisions. As a result of that decentralization of authority and responsibility, OS’s ability to influence the actions of the operating divisions is often limited.

Because the operating divisions differ considerably from each other in size and mission, the magnitude and sophistication of logistics operations vary from one operating division to another. One indication of that variance is the amount and value of personal property that each operating division maintains. Table 1-1 compares the quantity and value of property inventories managed in DHHS organizations.

REPORT ORGANIZATION

In July 1988, the President’s Council on Management Improvement (PCMI) released a study recommending property management improvements within the
Federal Government. The recommendations concerned overall program management, career development for property management personnel, and use of automation in property management. The PCMI proposed that its recommendations be implemented by an Executive order, which was drafted but not signed.

Reacting to that study, the Office of the Deputy Assistant Secretary for Management and Acquisition (OMAC) asked for an evaluation of the state of property management systems within the Department's operating divisions, OS, and the regional directors' offices. OMAC wanted an assessment of the efficiency and effectiveness of personal property and excess property management programs.

This report examines the Department's personal property and excess property management programs and recommends actions that can improve their effectiveness and efficiency. It is based on surveys and discussions of property management programs and organizations and on an analysis of the consistency of programs within the Department. The rest of this chapter provides background information on the Acquisition and Logistics Research, and Management (ALRS), including its mission and a brief history. In Chapter 2, we present our analysis of ALRS staffing, activities, and management in the form of findings, conclusions, and recommendations. Chapter 3 analyzes DHHS management's role in property management. Finally, in the appendix, we provide overviews of the Department's
TABLE 1-1

PROPERTY PROFILES

<table>
<thead>
<tr>
<th>Organizations</th>
<th>Number of employees</th>
<th>Number of property records</th>
<th>Inventory value ($ millions)</th>
<th>Average cost per item ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Secretary</td>
<td>4,375</td>
<td>26,026</td>
<td>7.23</td>
<td>278</td>
</tr>
<tr>
<td>Social Security Administration</td>
<td>63,224</td>
<td>59,311</td>
<td>252.47</td>
<td>4,257</td>
</tr>
<tr>
<td>Family Support Administration</td>
<td>1,029</td>
<td>3,103</td>
<td>0.83</td>
<td>267</td>
</tr>
<tr>
<td>Office of Human Development Services</td>
<td>1,300</td>
<td>21,500</td>
<td>3.33</td>
<td>155</td>
</tr>
<tr>
<td>Health Care Financing Administration</td>
<td>4,017</td>
<td>8,407</td>
<td>36.42</td>
<td>4,332</td>
</tr>
<tr>
<td>Office of the Assistant Secretary for Health</td>
<td>917</td>
<td>5,205</td>
<td>8.38</td>
<td>1,610</td>
</tr>
<tr>
<td>Alcohol, Drug Abuse, and Mental Health Administration</td>
<td>3,000</td>
<td>20,000</td>
<td>50.00</td>
<td>2,500</td>
</tr>
<tr>
<td>Indian Health Service</td>
<td>11,000</td>
<td>85,189</td>
<td>151.76</td>
<td>1,781</td>
</tr>
<tr>
<td>Centers for Disease Control</td>
<td>5,027</td>
<td>30,672</td>
<td>130.42</td>
<td>4,252</td>
</tr>
<tr>
<td>Food and Drug Administration</td>
<td>10,396</td>
<td>60,000</td>
<td>150.00</td>
<td>2,500</td>
</tr>
<tr>
<td>National Institutes of Health</td>
<td>15,000</td>
<td>160,000</td>
<td>750.00</td>
<td>4,687</td>
</tr>
<tr>
<td>Health Resources and Services Administration</td>
<td>2,161</td>
<td>8,696</td>
<td>13.18</td>
<td>1,515</td>
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<tr>
<td>Agency for Health Care Policy and Research</td>
<td>185</td>
<td>2,704</td>
<td>3.19</td>
<td>1,180</td>
</tr>
<tr>
<td>Public Health Service Totals</td>
<td>47,686</td>
<td>372,466</td>
<td>1,256.93</td>
<td>3,375</td>
</tr>
<tr>
<td>Department of Health and Human Services Totals</td>
<td>121,631</td>
<td>490,813</td>
<td>1,557.21</td>
<td>3,173</td>
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</table>

Property management programs and discuss strengths and possible improvements for those programs.

THE ACQUISITION AND LOGISTICS RESEARCH STAFF

Responsibilities and Staff Size

It is the function of OS to coordinate and manage the Department as a whole. Outside of the Washington/Baltimore area, operations are conducted by regional offices, each containing field offices of the operating divisions appropriate to the
geographical area served. The ALRS is organizationally placed in OS, under the Office of Acquisition and Grants Management (OAGM), which reports to the Assistant Secretary for Management and Budget (ASMB). The ALRS has responsibilities both in acquisition — for which OAGM has other staff offices — and in logistics — for which it is the sole policy staff in OS. Its responsibilities are to:

- Research, analyze, and test innovative ideas, techniques, and policies in acquisition and establish and direct ad hoc teams to develop creative approaches to problems in both acquisition and logistics.

- Serve as the Department's liaison in the areas of acquisition and logistics maintain working relationships with the Office of Management and Budget (OMB) and other Federal agencies to coordinate and assist in policy development and participate in Governmentwide tests of procurement innovations.

- Serve as the liaison between OAGM's Director and the policy and operations divisions within that office.

- Conduct special projects to develop improved mechanisms for managing procurement, discretionary grants, and logistics throughout the Department.

Most critical to the area of logistics is the functional requirement that the ALRS serve as the Department's "focal point and liaison with the Operating and Staff Divisions for policy development, technical assistance, oversight, and training in the area of logistics." While the ALRS is quite small, consisting of three employees, its functional statement defines a rather broad range of responsibilities. In contrast, before the 1983 publication of the President's Private Sector Survey on Cost Control (otherwise known as the Grace Commission report), which had a section on OS staffing, the ALRS [then known as the Office of Procurement, Assistance and Logistics (OPAL)] had five employees working on logistics issues only. The Department's current logistics management capacity at the OS level is very limited.

The Grace Commission report recommended eliminating OPAL, among other OS staff sections, to streamline the Department-level staff and reduce duplication between OS and the operating divisions. The Department moved swiftly in response, designating functions previously assigned to OPAL to OAGM, but without additional

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staffing. As a result, some duplication was removed, but OAGM/ALRS responsibilities for common operating division functions increased beyond what the staff could handle. Thus the Director of OAGM has spent the last 6 years trying to adequately address all his responsibilities and trying to build an ALRS organization large enough to carry out the responsibilities outlined in its functional statement.

The ALRS is quite small in comparison to the logistics staffs in other Federal agencies. Table 1-2 compares the size of the ALRS to that of property management policy staffs in two other departments. When comparing the figures in Table 1-2, one should keep in mind the fact that the ALRS has broader responsibilities than do the staffs in the other departments. All of the staffs are responsible for policy making, technical assistance, training, and oversight, but the breadth of their functional responsibility is considerably different. In DHHS, the ALRS is responsible for logistics, including property management, and procurement, and it is a staff of 3. In the Department of Agriculture, the policy staff is responsible for logistics, including property management, and its staff totals 10, 4 of whom are responsible for property management. In the Department of Commerce, the staff is responsible for logistics, with 1 staff member assigned to property management.

TABLE 1-2
PROPERTY MANAGEMENT POLICY STAFFING
(DHHS vs Other Departments)

<table>
<thead>
<tr>
<th>Department</th>
<th>Number of employees</th>
<th>Number of property records</th>
<th>Inventory value ($ millions)</th>
<th>Staff size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Human Services</td>
<td>121,600</td>
<td>490,813</td>
<td>1,557.2</td>
<td>3</td>
</tr>
<tr>
<td>Agriculture</td>
<td>96,000</td>
<td>619,045</td>
<td>2,630.4</td>
<td>10</td>
</tr>
<tr>
<td>Commerce</td>
<td>38,900</td>
<td>197,378</td>
<td>915.7</td>
<td>4</td>
</tr>
</tbody>
</table>

Current Acquisition and Logistics Research Staff Activities
In summary, the ALRS is an extremely small staff, it has very broad responsibilities, and it is very busy. Also, it does not have a particularly clear
functional statement, it does not have clear objectives or goals, and it seems to be encumbered with many tasks we considered unrelated to its logistics assignment.

The ALRS is doing what it can to overcome the shortcomings inherent in its size by encouraging the Logistics Management Advisory Group (LMAG) to expand its role, act as the ALRS's eyes and ears, and assist the ALRS in its efforts to improve Departmental logistics programs. Despite these efforts, the ALRS has no oversight capability and is virtually operating in the blind. That is not an effective way to operate, and it creates more work for the staff. Consequently, the ALRS backlog continues to grow as the staff tries to pay more attention to policy development. The ALRS recognizes that it must focus more on developing policy, and it has set aside time to do so. However, as its backlog in its day-to-day assignments grows, the staff has not been successful in producing policy that is timely or effective.

Many opportunities exist for dramatically improving property management, reducing duplication, and eliminating some of the time spent on property management as a result of poor training, by having a stronger Departmental-level program. We make several recommendations in Chapter 2 concerning how the ALRS can become more effective. Of those recommendations, the most important ones are that the ALRS should clarify its role and increase its size.
CHAPTER 2
THE ACQUISITION AND LOGISTICS RESEARCH STAFF

OVERVIEW

Our analysis compares DHHS practices with those of some other agencies. The recommendations presented in this chapter, although directed at the ALRS, are intended to benefit all of the Department’s property management programs.

We reviewed a total of 23 property management programs, 14 of them internal to DHHS. All 23 programs support organizations whose missions are administrative, medical, or scientific in nature. The organizations are shown in Table 2-1.

<table>
<thead>
<tr>
<th>Organizations inside DHHS</th>
<th>Organizations outside DHHS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Secretary</td>
<td>Department of Agriculture</td>
</tr>
<tr>
<td>Social Security Administration</td>
<td>Department of Commerce</td>
</tr>
<tr>
<td>Family Support Administration</td>
<td>Walter Reed Army Institute of Research</td>
</tr>
<tr>
<td>Office of Human Development Services</td>
<td>Uniformed Services University of the Health Sciences</td>
</tr>
<tr>
<td>Health Care Financing Administration</td>
<td>Bethesda Naval Hospital</td>
</tr>
<tr>
<td>Office of the Assistant Secretary for Health</td>
<td>National Institute of Standards and Technology</td>
</tr>
<tr>
<td>National Institutes of Health</td>
<td>Patent-Trademark Office</td>
</tr>
<tr>
<td>Alcohol, Drug Abuse, and Mental Health Administration</td>
<td>University of Maryland</td>
</tr>
<tr>
<td>Food and Drug Administration</td>
<td>Johns Hopkins University</td>
</tr>
<tr>
<td>Centers for Disease Control</td>
<td></td>
</tr>
<tr>
<td>Indian Health Service</td>
<td></td>
</tr>
<tr>
<td>RASC, Atlanta</td>
<td></td>
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<tr>
<td>RASC, Chicago</td>
<td></td>
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<tr>
<td>RASC, Kansas City</td>
<td></td>
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Note: RASC = Regional Administrative Support Center.

We think that each property management program in the Department can be improved in some ways and that the ALRS can be instrumental in increasing the efficiency and effectiveness of personal property management programs throughout...
DHHS. The rest of this chapter is organized into findings, conclusions, and recommendations as they apply to the ALRS.

FINDINGS

While we found that DHHS has some innovative and successful property management practices, we also found areas for improvement, particularly in policy making, oversight, and communications.

Policy Guidance

Policy Confusion

We found confusion in DHHS that was not apparent in the other departments visited. When we spoke to DHHS operating division and agency property managers, we found that they refer to several different sources of policy guidance, most of which are Federal laws and regulations. Generally, however, these sources provide only vague instructions on how Federal agencies should manage personal property.

Since Federal guidelines tend to be vague and subject to interpretation, most Departmental-level policy staffs publish procedures manuals to clarify the guidance and provide direction to personnel in the field. Along those lines, the DHHS Material Management Manual (MMM) is the policy document that sets the direction for the Department's property management programs. However, most DHHS property managers in the operating divisions and agencies do not consider the MMM their primary source of property management policy, because it is badly out of date. (In fact, it is currently undergoing its first revision since 1979.) They indicated that they would use the MMM if it were revised to reflect current practices. The Director of the ALRS has estimated that a substantial portion of the MMM will be revised and disseminated by the end of FY91.

The property managers' reluctance to use the MMM is justified and understandable. Property management is a dynamic field, and, although its precepts remain the same, its procedures change in response to technological, financial, or
administrative evolution. Three very distinct changes have affected the property managers' responsibilities in significant ways:

- Personal computers (PCs) were not widely used in 1979 when the MMM was last updated. Now, it is hard to find a desk in DHHS where a PC is not in use.

- Systems furniture has replaced conventional furniture in most Federal agencies. Because it can be bolted to a permanent structure and accounted for as real property, those agencies have not required strict accountability for systems furniture once it is installed in a building. Therefore, the furniture accountability requirement in most Federal agencies has been reduced to summing totals instead of accounting for individual items.

- Changes in the property accountability criteria have caused confusion in the logistics community. The changes were issued by memorandum instead of through a formal change to the MMM. Some property management personnel in DHHS do not feel that the memorandum provides them clear guidance for identifying accountable property. The criteria changes were also confused with the General Accounting Office (GAO) increase in the capitalization threshold for depreciable personal property, which was raised from $300 to $5,000. Since the property accountability threshold was changed shortly after the GAO increased the capitalization threshold, it appeared that the thresholds were dependent on each other. Actually, those thresholds are separate and unrelated.

To clarify some logistics policies and recommended practices, OPAL published a series of seven logistics procedures guides in 1981 and 1982. That series includes procedures guides for

- Inventory control and accounting
- Personal property utilization and disposal
- Personal property for managers
- Personal property management review
- Property custodians
- Motor vehicle management
- Transportation and traffic management.
Those guides amplify procedures outlined in the MMM and could be categorized as “how to” manuals. Because they have not been revised since being written, they are also out of date.

**Clear Guidance in Other Government Departments**

The Departments of Agriculture and Commerce, in contrast to DHHS, regularly update their property management procedures manuals; both have done so since 1989. Those departments also publish addenda to the manuals as required. For example, the Department of Commerce published an addendum to its property management manual in April of last year.

For its field property managers and custodial officers, the Department of Agriculture’s Property Management Office has issued a desk guide on the utilization and disposal of personal property, in addition to its manual. That guide was published and disseminated in 1989. Written in laymen’s terms, it provides field property managers a quick fingertip reference for managing excess property. Many property managers and custodial officers in field offices are not formally trained for those positions; the guide helps them walk through the procedures for obtaining, reporting, donating, selling, and disposing of excess property in the most expeditious manner. It has a section on techniques to accelerate the disposal process, particularly useful for offices with storage limitations.

The Department of Commerce property management programs have improved significantly since they were identified as a material weakness in 1987. That Department’s property management policy chief told us that the improvement can be partially attributed to the fact that the Department of Commerce Property Management Regulations were awarded the same authority as an administrative order, giving them more force than they previously had. Until they received management’s endorsement, the Property Management Regulations had attracted little attention outside of the property management community.

In contrast, some DHHS property management policies are issued by memorandum and are only sporadically followed. For example, the property accountability criteria signed into policy in August 1989 have (as indicated in the previous section) caused confusion and debate since they were issued. The confusion is illustrated by the fact that several different interpretations of the criteria are enforced in the Department (for more detail, see the appendix). One property
manager told us that, because the policy was announced in a memorandum and not issued as a regulation, many people in DHHS either ignored it or did not take it seriously.

**Oversight**

To be effective, and to be kept current, policies require oversight. Oversight may take many forms; the most common is an operating procedures evaluation conducted during a site visit by senior-level staff members. In DHHS, the only Department-level oversight staff for property management is the ALRS. Until 1983, logistics oversight in DHHS was conducted during OPAL training and technical assistance visits to the operating divisions and agencies. Department-level oversight and assistance visits have been nearly nonexistent since the DHHS logistics policy staff was cut.

Currently, the ALRS oversees property management programs on a very limited and ineffective basis. One of its primary oversight methods is responding to requests for deviations from Departmental property management policies or reviewing operating division and agency property management reports for correctness before forwarding them to the General Services Administration (GSA) or OMB. The ALRS is very small, is overtasked, and is not able to evaluate the effectiveness or efficiency of DHHS property management programs through oversight visits.

Some property management oversight is being conducted at other organizational levels. For example, two Public Health Service (PHS) agencies conduct scheduled oversight visits to their field property management offices. One of those agencies, the Food and Drug Administration (FDA), prepares visit schedules annually and conducts an on-site review at each field office at least once every 4 years. We believe that FDA's visit schedule demonstrates a well-balanced use of its property management staff, that staff members are doing all they can, and that they appear to be doing it well. The Indian Health Service (IHS) also follows an ambitious schedule of oversight visits. It currently conducts four area property management program reviews per year and has a goal to conduct between six and eight reviews per year. The small size of its property management staff may make that goal difficult to achieve.
By comparison, in the Departments of Agriculture and Commerce, property management policy staff members conduct annual oversight and assistance visits to each departmental agency and bureau (equivalent to DHHS operating divisions). The policy staff at the Department of Agriculture also visits field offices to review property management procedures and to provide training to property managers in those offices.

The Departments of Agriculture and Commerce also have better tools for visibility of their property management programs than does DHHS. Both departments have centralized personal property programs (unlike the DHHS decentralized program). They use a centralized personal property management system maintained by the National Finance Center in New Orleans that gives them access to their property records through a program called Focus. Focus provides over 50 management reports and allows ad hoc queries that enhance the user's oversight capabilities. Both departments can use the system to conduct some oversight without disrupting the day-to-day activities of the property management programs themselves. Currently, DHHS does not have that luxury, and the ALRS has to rely on hard-copy reports from its operating divisions and agencies. Such reports require significant effort to prepare and compile. As a result, DHHS has less flexibility in processing management reports compiled from the operating divisions.

Communications

Departmental Property Management Goals

While the ALRS sets annual and long-term goals for its logistics programs, it apparently does not share those goals with the operating division and agency property managers. For example, one goal is to develop an electronic disposal capability for excess property. But none of the property managers we spoke to were aware that the ALRS was considering such a capability. When asked about DHHS property management goals, property managers said either that the Department did not have any or that they had not been told what the goals were.

In contrast, the Department of Agriculture has one simple property management goal: to make the task of managing personal property as painless as possible by publishing supplemental directives and guides that present property management in laymen's terms. That goal is widely understood throughout the
Department. We believe that the combination of that goal and the Department’s overall approach to property management has proven highly successful.

**Duplication of Effort and Missed Opportunities**

Although DHHS property managers were eager to share their goals and accomplishments in property management with us, many of them do not communicate with their counterparts in other operating divisions and agencies. In fact, most of the property managers we spoke to did not know who many of their counterparts in DHHS were, nor did they have an easy way of finding out who they were or how to contact them.

The lack of either a formal or an informal communications network between property managers in DHHS appears to be the result of the Department’s decentralized management philosophy, which has the operating divisions and agencies independently trying to achieve some very similar support objectives. This lack has resulted in duplication of effort and in missed opportunities for saving development time and money in the property management programs throughout the Department.

For example, new property management information systems have been developed and installed in most operating divisions and agencies in the past 5 years and some are still being developed. Four system configurations [(PC, PC-LAN (local area network), PC-mainframe, and mainframe)] exist in DHHS property management programs, and at least nine different data base systems are being used. The proliferation of systems has resulted in high costs, for both development and maintenance, to satisfy virtually identical needs. The need for new property management information systems throughout DHHS also presented the operating divisions and agencies with opportunities to develop systems jointly that could be used by different organizations to achieve identical objectives. Lack of communication contributes to the activities’ failure to exploit those opportunities.

As an example of a missed opportunity, FDA operates a centralized automated property management system from its Property Management Office in Rockville, Maryland, that can be accessed in its field offices using a modem data communications link. The Family Support Administration (FSA) designed a similar centralized automated property management system but, because of funding limitations, has had it installed only in its Washington headquarters and
Philadelphia Regional Office. It has not completed system installation in the other nine regions. FSA could easily have used the same system FDA used but had never discussed that opportunity with FDA. Had the two property managers had more frequent contact, we believe that the FSA system would not have been necessary and that all FSA regions would have been on-line by now.

**Service Impact of Communications**

Better communications could save a considerable amount of money for unnecessary purchases, or they could help alleviate equipment shortfalls that prevent mission accomplishment. For instance, the National Institutes of Health (NIH), which employs a large research and support staff, has an equipment requirement exceeding that of any other agency or operating division in the Department. In fact, NIH property records comprise almost one-third of all the records in DHHS, and the value of its accountable inventory is nearly one-half that of the entire Department. As a result of its vast inventory of personal property, NIH generates a large volume of excess property. Much of the excess property that NIH reports to GSA is serviceable scientific and medical equipment no longer needed in its institutes, centers, or divisions.

The National Institutes of Health shares information on its excess property with the other research agencies in PHS: FDA; the Alcohol, Drug Abuse, and Mental Health Administration; and the Centers for Disease Control. However, NIH does not share that information with IHS, which could use some of the items that NIH declares excess. IHS operates with a limited procurement budget and is constantly in need of medical equipment to support its hospitals and clinics. The IHS Personal Property Office is located in Albuquerque, and the other PHS agencies' offices are located in Washington and Atlanta. The lack of logistics communications in DHHS – even informal communications – further weakens the relationship already weakened by the physical separation of the agencies' property management offices. It may also result in unnecessary procurement costs for IHS.

**Logistics Management Advisory Group**

The ALRS has an opportunity to improve communications in the Department through the LMAG, but it has not often taken advantage of that opportunity. The LMAG embodies a majority of the Department's key logisticians. It is made up of the Director of OAGM, the ALRS, and the logistics and property managers of the DHHS
operating divisions and PHS agencies. The LMAG was formed several years ago as a result of recommendations made by a Departmental needs assessment team to provide a vehicle for high-level DHHS logistics managers to address problems faced by the logistics community.

The LMAG was tasked with meeting regularly to discuss issues and identify opportunities for improving DHHS logistics operations. However, LMAG meetings have been sporadic, and until the group's membership changed to its current form in 1990, interest in its mission was negligible. The current LMAG membership has a genuine interest in the success of DHHS logistics operations, because it is directly affected by the accomplishments or failures of the group. In addition to being a form of “think tank” for the Department's logistics community, the LMAG provides a rare opportunity for the logisticians to communicate face to face with their peers. This type of contact can positively influence informal communications and can lead to reductions in duplication of effort in the DHHS logistics community. Such contact must occur on a regular basis, however, if it is to be effective.

**Personal Property Training**

Property management expertise in DHHS varies from one property management program to another. Some operating division and agency program managers require that the personnel assigned to the property management staff receive at least a minimum amount of technical training. However, other operating divisions and agencies do not require any training for property management staff members. In fact, one operating division property management chief we talked to had limited experience in property management before being appointed to the position and depended on a property management specialist for technical guidance.

In another operating division, the only property management clerk in the organization was a trained financial analyst. That clerk was working outside his occupational field and had to teach himself how to run a property management program. After becoming reasonably competent in property management, he was transferred to another position in his operating division that required only his financial analysis skills. His property management responsibilities were then assigned to the clerk who managed the agency's excess property. Thus, a DHHS operating division experienced a significant erosion of the only corporate knowledge and requisite property management skills that it previously had. These examples
are worth noting because the Department has left training requirements to the
discretion of the operating divisions and, in many cases, untrained employees are
made responsible for significant portions of property management programs.

The property management branches in two DHHS organizations have issued
handbooks for use by their personnel. FDA has published a property custodians'
guide, and the Social Security Administration (SSA) has published an individual's
guide to property management. Both guides are well written and provide useful
information in terms that can be easily understood. These publications will give
FDA and SSA a significant training advantage over other DHHS organizations.

The IHS and FDA property management staffs conduct oversight visits at their
respective field offices to evaluate the effectiveness of their property management
programs. Those visits make it possible for IHS and FDA to compare field operations
and make changes to agency procedures that can benefit all property managers in the
agency in the long run. Some other agencies with less experienced property
management personnel have not given any thought to conducting oversight visits,
because they are just familiar enough with property management to keep up with the
day-to-day duties they are required to perform.

The Department of Commerce, on the other hand, requires that all of its
property management employees attend property management training. In fact, it
encourages property custodians to attend GSA-sponsored property management
training. We visited two Department of Commerce agencies (National Institute of
Standards and Technology and the Patent-Trademark Office), and all of the property
management clerks in those agencies had attended GSA-sponsored property
management classes.

The Department of Agriculture also sponsors an active property management
training program. Its property management policy staff is producing the second in a
series of audiovisual training tapes for its agencies to show to property managers and
custodians. Additionally, the Personal Property Management Division sponsors
regularly scheduled training for the Department's Washington area personnel. The
policy staff is evaluating whether or not to implement a certification program for
personnel assigned property management responsibilities. Finally, since most
Department of Agriculture agencies have their own logistics policy staffs, each
agency conducts training conferences for its property management personnel.
The Uniformed Services University of the Health Sciences (USUHS) both provides training to its property management personnel and offers them a career path in property management. USUHS personnel generally start by working in the warehouse before being assigned administrative responsibilities. Most USUHS property management personnel have attended GSA-sponsored property management courses, and the rest are encouraged to attend.

**Excess Property**

**Federal Property Management Regulations**

Most operating divisions and agencies in DHHS do not manage excess property in strict compliance with the procedures of the Federal Property Management Regulations (FPMR). Some have good reason not to. Procedures for utilizing and disposing of excess property are described in more detail in the FPMR than are procedures for managing active property. For example, the FPMR requires that Federal agencies, to the maximum possible extent, reutilize excess property internally so that they can minimize procurement of new equipment and maximize the use of items already procured. If an item is made available internally to an agency and it is not needed, it should be reported to GSA as available for other Federal agencies. Once property is reported to GSA, the owning agency is required to hold it and protect it against hazards such as fire, theft, and vandalism for up to 180 days, or until GSA directs an interagency transfer, whichever time period is shorter. If GSA does not provide the reporting agency with disposition instructions for the property within 180 days, that agency may assume responsibility for disposition of the property in compliance with the provisions of the FPMR.

The Office of the Secretary, however, disposes of its excess property within 30 days from the date it is reported to GSA, even though the OS warehouse is large enough to store items for a longer screening period. Although technically in violation of the FPMR, the OS warehouse staff knows which items are in demand, and it retains them until they can be reutilized within OS. The remaining items are turned over to GSA or disposed of as soon as possible. On the other hand, the Health Care Financing Administration (HCFA) keeps its excess property (except for furniture) until it receives disposition instructions from GSA. On several occasions, HCFA and other activities in DHHS have waited over a year for a response from GSA, despite having very limited space in which to store the excess property while they wait.
Much to its credit, the HCFA property management staff did negotiate a special agreement with GSA for the disposal of excess furniture. The property management staff informs GSA of its reported excess furniture and when it will be available for delivery to GSA. GSA then authorizes HCFA to deliver the excess furniture to one of its warehouses in Philadelphia. Although HCFA is not the only operating division that could benefit from such an arrangement, its successful negotiation with GSA is not well publicized in DHHS.

In the PHS Parklawn complex, non-medical/non-scientific excess property is consolidated and screened through the operating division before it is reported to GSA. Once it is reported, the property is stored locally until disposition instructions are received from GSA. Because its property management staff has persistently followed up on disposition requests for reported excess, PHS has been receiving responses from GSA within 90 days of its requests for disposition.

**Excess Property Screening**

The Department’s excess screening programs are not as comprehensive as those in some other Federal agencies that we visited. The operating divisions and agencies all screen excess property within their respective organizations, and some offer excess property for screening by some other activities in the Department, but no DHHS operating division or PHS agency screens its excess property throughout the Department.

The Department of Agriculture manages a centralized excess property management program for its Washington/Baltimore area offices and its regional locations. In Washington, the Central Excess Property Office (CEPO) employs 10 property utilization specialists whose sole function is to manage Department of Agriculture excess property for offices in the Washington/Baltimore area. For management of its regional excess property, the Department of Agriculture employs Departmental Excess Personal Property Coordinators (DEPPCs) assigned to specific regions. Those personnel electronically manage the excess property at all 17,000 remote Department locations, and they are able to communicate directly with GSA through a telecommunications data link.

The Department of Commerce has developed an excess property module that will be integrated into its centralized property management system. That module will enable the Department to transmit Standard Form 120, Report of Excess...
Personal Property, directly to GSA via data link. The Commerce Department representative told us that the excess property module should help bureaus reduce turnaround time on disposition requests to GSA. Since all Department of Commerce bureaus will be using the excess property module, excess property will be more uniformly managed throughout the Department. Each bureau currently manages excess personal property on its own and will continue to do so until the excess property module becomes operational during FY91.

The University of Maryland manages excess property through an electronic bulletin board to which all employees have access. The bulletin board gives employees the capability of looking on campus for items that they need before resorting to procurement of new equipment on the open market. Listed on the bulletin board is a generic description of the excess equipment, its condition, and location. If an excess item is needed, and an employee finds it on the bulletin board, the employee contacts the owning activity to negotiate the sale or exchange of the equipment. When the sale or exchange is completed, the campus property manager must be informed of the change in ownership so that responsibility for the equipment can be transferred from the department originally accountable to the new accountable department.

**Reutilization of Excess Property**

The level of excess property reutilization is not as high in DHHS as it is in other departments we have visited. Two of the DHHS operating divisions [FSA and the Office of Human Development Services (OHDS)] claim a high excess property reutilization rate but PHS, which is the largest operating division in DHHS, claims only a 3 percent rate, of excess property reutilization. Since almost 75 percent of the accountable items and nearly 80 percent of the inventory value are owned by PHS agencies, we believe that the 3 percent reported rate closely represents the actual, standard excess property reutilization rate in DHHS.

Meanwhile, the Department of Agriculture filled 78 percent of its new procurement requisitions with excess property. In 1989, Department of Agriculture agencies procured $298 million worth of personal property, $134 million of which (or 45 percent) was procured from excess inventory. That reutilization level was achieved because the Department established a requirement for agencies to route all procurement requests through the CEPO in the Washington/Baltimore area, or
through the DEPPCs in the regions. The Department's procurement office will not process a purchase order for property unless the items requested are unavailable through the excess property program. The Department of Agriculture's success in reutilizing excess property appears to be principally the result of supportive senior management; a focus on adherence to property management regulations; and a large, experienced Department-level property management team.

Acquisition and Logistics Research Staff Priorities

The ALRS needs to spend more time concentrating on property management issues. In comparison to the policy staffs in the other departments, and to its predecessors in DHHS, the ALRS is thinly staffed. Furthermore, it is tasked to spend an inordinate amount of time on operational issues. For example, the ALRS has been tasked to write letters of justification for leasing vehicles from private vendors for vehicle requests that could not be filled by GSA. Such operational actions could be better accomplished by the operating division and OS staffs, particularly since there is ample guidance available to them on how to carry them out. The FPMR has a subchapter dedicated to transportation and motor vehicles. It provides guidelines on the use, care, and reporting requirements for GSA interagency fleet motor vehicles and sets forth procedures for obtaining leases. The Federal Acquisition Regulation (FAR) also provides supporting guidance.

The ALRS should focus on policy development, oversight, training, and ensuring effective communications within the logistics community. We found that the departments and agencies with successful property management programs actively pursue those priorities and that as a result, the staffs in subordinate organizations are more effective. These findings demonstrate a need for policy development, for oversight, for training, and for effective communications in the DHHS logistics community. If the ALRS were to concentrate on those priorities, some of the other, less important issues would take care of themselves.

CONCLUSIONS

The effectiveness of the 23 property management programs in DHHS varies from one organization to another. The ALRS is critical to the success of DHHS logistics programs, and how it operates can influence the performance of property management programs throughout the Department. We believe that the ALRS
needs to review its focus and concentrate on those elements of property management that will promote effective programs in DHHS.

Policy Guidance

The ALRS needs to have more influence on the Department's property management programs. To accomplish that objective, it first will have to complete and disseminate the revised MMM. The MMM is badly out-of-date, and it is the only DHHS property management policy document in existence. To be effective, it must be current. An updated MMM needs to address such items as automated property management systems, automated data processing equipment, changes to property accountability criteria, management of systems furniture versus conventional furniture, and the use of property identification systems like bar code tags or equipment decals.

Oversight

The MMM will not be an effective tool unless the ALRS enforces the policies it contains. Therefore, the ALRS needs to implement a strong oversight program. The purpose of the program, in addition to enforcing the policies contained in the MMM, should be to standardize some property management practices in all DHHS activities and to provide the ALRS with insight into program operations that it does not currently have. The most effective oversight will be conducted through direct site visits to the operating divisions and agencies. Such visits will also benefit the DHHS property management community. For example, realistic exposure to DHHS property management programs will allow the ALRS to develop its policies on the basis of their impact on property management programs in the field. The ALRS can also provide immediate, Departmental-level feedback to property managers in the operating divisions and agencies. Finally, the site visits can strengthen communications between the ALRS and the operating division and agency property management staffs.

Communications

The ALRS needs to ensure the existence of effective communications within the DHHS logistics community. The most effective vehicle in the Department for improving formal and informal communications in DHHS logistics is the LMAG. To be most effective, the LMAG needs to meet more frequently than it has in the past,
perhaps quarterly. At the very least, quarterly LMAG meetings will give the operating division and agency logisticians a forum in which they can regularly discuss issues pertaining to their profession.

Increasing the frequency of LMAG meetings is not enough in itself to ensure effective communications in DHHS logistics. The ALRS needs to collect and disseminate information on property management using whatever resources are available. As a minimum, the ALRS should publish a DHHS logistics directory with the names and phone numbers for all logistics managers in the Department as well as points of contact in GSA and in other Federal agencies. The directory should be updated as required and disseminated to all logistics managers in the Department.

Another potential method of communication is a Departmental logistics newsletter. It could be published periodically and could be used to announce new policy objectives, new initiatives being pursued in operating divisions or agencies, and other information that could benefit the Department’s logistics community. Both the directory and the newsletter can be disseminated by hard copy or by electronic mail.

**Property Management Training**

The ALRS needs to establish minimum training standards for DHHS logistics and property management personnel to improve technical expertise. Those standards should be consistently applied throughout the Department. Currently, each agency is responsible for its own training, and some agencies do not require property management training at all.

**Excess Property**

Management of excess property in DHHS needs to be reviewed more closely, and the Logistics Management Institute has been tasked to do that in a future study. However, we already have some conclusions pertaining to excess property reutilization, storage and disposal.

**Reutilization**

The reutilization rate for DHHS’s excess property needs improvement. Three procedures will have to be strengthened before the DHHS excess property reutilization rate will improve. First, all operating division and agency property
management programs need to screen excess property throughout the Department. Exceptions to that requirement should be approved by the ALRS only after careful review. One exception could be scientific and medical equipment that would not be used by all of the Department's agencies.

Next, DHHS needs "... to the maximum practicable extent, fulfill its requirements for property by obtaining excess personal property from other Federal agencies instead of initiating a new procurement."1 That would require coordination between the property management staffs and the procurement staffs in the operating divisions and agencies, because requests would need to be screened against DHHS excess property inventories.

Finally, the ALRS needs to implement a consistent procedure for classifying the serviceability of excess property. Some Departmental property managers have refused to screen excess property owned by agencies external to their own because improper condition codes have frequently been assigned to items. As a result, skepticism exists and the Department's excess property reutilization rate remains low.

**Storage and Disposal**

The ALRS needs to address the Department's excess property storage shortfall with GSA. With the exception of a few agencies, most excess property management programs in DHHS experience space shortage because GSA can be slow to respond to excess property reports that request disposition instructions. HCFA has already negotiated an agreement with GSA that enables the operating division to relieve an excess property overflow caused by its replacement of conventional furniture with systems furniture. That is good for HCFA, but it does not help agencies like OHDS that must use valuable office space or supply closets to store excess property until GSA responds to requests for disposition. Elsewhere, the Department of Agriculture has negotiated a Departmental-level agreement with GSA to help relieve its overflow of excess property. We are not aware of any other agencies that have signed such agreements with GSA, but we believe that one would be in DHHS's interest.

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Acquisition and Logistics Research Staff Size

It is clear that the ALRS must do more if the Department's property management programs are to be effective. By focusing on policy development, oversight, training, and communications, the current ALRS staff could use its limited resources more efficiently than it does now, but that in itself will not be enough. The staff needs to be larger. While there is no formula that shows the "correct" staff size, after having made comparisons with other departments and having reviewed all significant Departmental programs, we believe that at least two additional full-time equivalent positions are necessary.

The ALRS must make oversight visits to be effective, and those much-needed positions will enable it to conduct them. By doing so, staff members can see and understand at first hand how the Department's property management programs could benefit from the ALRS's services. The ALRS would also be kept abreast of changes occurring in the Department's property management programs and would be able to more effectively coordinate intradepartmental cooperation.

RECOMMENDATIONS

All of the following recommendations pertain to the ALRS. Our recommendations for operating division and agency property management programs are contained in the appendix.

RECOMMENDATION 1: THE ALRS SHOULD COMPLETE ITS REVISION OF THE MMM AND DISSEMINATE IT AS SOON AS POSSIBLE.

Because it has not been updated in nearly 12 years, and because of many changes in the type of property the Department possesses, the MMM's policies are no longer current, and it is simply not being used in the field. The ALRS should update the manual as soon as possible and keep it current by reviewing it at least annually.

We also believe that the ALRS needs to review DHHS property accountability thresholds periodically and ensure that they are kept current. In its oversight role, the ALRS then needs to make sure that the operating divisions and agencies are abiding by the accountability thresholds.

For example, in the appendix we show that the operating divisions and agencies in DHHS have a wide range of accountability thresholds. One agency has no lower
limit, while the others enforce lower limits falling between $300 and $1,000. One agency has even asked to raise its threshold to $5,000. Several factors need to be considered in setting Departmental accountability thresholds. First, the limits should be set so as to keep the value of accountable property stable over time and to keep up with price inflation. Next, thresholds should take into account what types of material may not be worth managing and what other items (such as sensitive items) should have a low accountability threshold. Finally, although the capitalization threshold should not drive the accountability threshold, its adjustment indicates the executive branch's position regarding financial accountability of property, and accountability limits should be set with that position in mind. These are just a few of the many factors that should influence the Department's property accountability thresholds. Property accountability limits, the sensitive items list, and candidates for special accountability thresholds should be reviewed frequently. Therefore, we believe that discretionary policies in the MMM should be formulated carefully.

RECOMMENDATION 2: THE ALRS SHOULD OVERSEE COMPLIANCE WITH DEPARTMENTAL POLICIES SPECIFIED IN THE MMM.

We believe that the policies published in the MMM will have only limited impact unless the ALRS oversees their implementation. An effective oversight tool (one previously used by the Department and currently used in FDA and IHS) is direct site visits by the Departmental policy staff to the operating division and agency property management offices. We recommend that the ALRS make direct site visits to the operating division and agency property management offices. Those visits should be scheduled biennially to be most productive and should follow an agenda including training, oversight, and technical assistance. Site visits will give the ALRS a direct means of measuring the effectiveness of property management programs in the Department. Those visits will also afford the ALRS the opportunity to strengthen its formal and informal communications with operating division and agency property managers through face-to-face contact. However, an active site visit program will put an additional strain on the current ALRS staff. We discuss ALRS size in a subsequent recommendation.

RECOMMENDATION 3: THE ALRS SHOULD CONDUCT MORE FREQUENT MEETINGS OF THE LMAG.

Meetings of the LMAG are an easy way to assemble the operational logisticians in a forum in which they can informally meet with their peers and develop
professional relationships. We recommend that the ALRS sponsor quarterly LMAG meetings. We also believe that the ALRS should continue its practice of leaving the agenda for LMAG meetings open to contributions from all LMAG participants. The LMAG participants can benefit directly from discussions of current issues with each other.

In addition to making it possible for the Department's logisticians to develop professional relationships with their peers, the LMAG meetings create an environment in which attendees can expand their informal communications networks. We believe that DHHS property managers would communicate with each other more frequently and discuss mutual problems or concerns if they knew with whom they were communicating.

The LMAG meetings also serve to give the operating division and agency logisticians direct exposure to the Director of OAGM and the ALRS. We believe that the LMAG meetings can provide property managers a less formal setting for communicating with the policy staff than contact by telephone or in a logistics oversight visit.

RECOMMENDATION 4: THE ALRS SHOULD USE THE LMAG AS MORE THAN AN INFORMATION DISSEMINATING GROUP.

The LMAG membership is comprised of individuals with a wide range of experience in logistics and other operational areas (facilities management and finance, to name two). They use many approaches in managing DHHS personal property programs. We recommend that the LMAG be used as a resource to address and resolve common property management issues, such as the lack of customer guidance, the need for improved training of personnel, and the development of new automated property management systems. We believe that some DHHS property management programs address specific issues more successfully than others. For example, SSA and FDA have both addressed the lack of customer guidance by publishing handbooks for users and custodians. IHS conducts training of property management personnel in its area offices so that it can improve the overall level of expertise of its property managers. Finally, most operating divisions and agencies have introduced new automated property management systems since 1987, and OS has taken its system's development to the point of integrating property management requirements with those of the finance, working capital, contracts, and information resources management offices. Successful programs can be shared and much
unnecessary effort eliminated if issues are discussed and problems resolved by using a Departmentwide approach. The LMAG should be the focal point for addressing critical logistics issues that affect all DHHS logistics programs.

RECOMMENDATION 5: THE ALRS SHOULD MORE EFFECTIVELY COMMUNICATE ITS PROPERTY MANAGEMENT GOALS TO THE OPERATING DIVISIONS AND AGENCIES.

The ALRS annually sets goals for the Department's logistics program. However, it does not share those goals with the operating division and agency logisticians. *We recommend that the ALRS more effectively communicate its property management goals to the operating divisions and agencies and periodically inform them of progress toward achieving those goals.* We believe that the operating division and agency property managers would lend valuable assistance to the ALRS in achieving the Department's goals if those goals were shared with them.

RECOMMENDATION 6: THE ALRS SHOULD DISSEMINATE A DEPARTMENTAL LOGISTICS DIRECTORY TO ALL OPERATING DIVISIONS AND AGENCIES.

One way to improve informal communications in the DHHS logistics community is through the use of direct contact. However, many property managers do not know who their counterparts are in DHHS, nor do they have readily available a list of phone numbers for points of contact in DHHS or in other Federal agencies. *We recommend that the ALRS disseminate a Departmental logistics directory to all operating divisions and agencies and update it as required.* That directory should contain key logistics points of contact by name, title, area of expertise, and agency. It should list people in the Department, in GSA, and in other Federal agencies, and it should be kept current.

RECOMMENDATION 7: THE ALRS SHOULD CLARIFY AND CARRY OUT ITS ROLE AS "THE FOCAL POINT AND LIAISON FOR POLICY DEVELOPMENT, TECHNICAL ASSISTANCE, OVERSIGHT, AND TRAINING IN THE AREA OF LOGISTICS."

The ALRS functional statement provides a broad summary vaguely defining the staff's role in logistics policy, oversight, technical assistance, and training. The ALRS needs a more specific description of its mission. *We recommend that the ALRS develop, for internal use, a mission statement clarifying its priorities and*
responsibilities. The ALRS mission statement should be prepared by the ALRS staff and approved by its management.

In our opinion, two factors have contributed to the ALRS's inability to fulfill all of its responsibilities. The first contributing factor is its size, discussed above. The Department of Agriculture has experienced many successes in its logistics and property management programs not only because its senior management staff supports the logistics community but also because its logistics policy staff is large enough to accomplish its policy making, oversight, technical assistance, and training missions.

The other factor contributing to the ALRS's inability to focus on priority issues is the fact that it has been assigned other tasks that appear operational and are not addressed in its functional statement. Those assignments have forced the ALRS into a reactive posture; accordingly, instead of initiating logistics activities, it responds to them while attempting to develop and enforce policy as time permits. These two factors make a mission statement necessary.

The mission statement should define ALRS goals and serve as a basis for setting annual objectives. It is also a logical link between the broadly defined functional statement and the responsibilities that we have already addressed (policy development, oversight, training, and communications). An example of a mission statement (dealing only with property management and not other ALRS responsibilities) would be:

The ALRS has the mission of providing timely, accurate, and up-to-date policy that addresses current issues in property management. It should disseminate that policy to operating division and agency property management staffs by periodically updating the Material Management Manual. The ALRS will provide oversight that will allow it to give timely feedback to management regarding how well property management programs are performing and to cite and help resolve noncompliance with DHHS property management policy when it occurs. The ALRS will provide for the training of property management personnel, establish minimum training standards for them, and ensure that all personnel in property management positions meet the Department's standards. Finally, the ALRS will provide technical assistance to personnel in DHHS property management programs for those issues not clearly explained in Federal or Departmental policy regulations.

Other departments we visited have personnel assigned strictly to conduct property management policy development and oversight. Those departments also
have personnel assigned to oversee the other logistics functions of supply, distribution, and transportation. We believe that the ALRS can benefit from implementing some of the successful practices of other Executive agencies. The first step should be the development of a mission statement.

RECOMMENDATION 8: THE ALRS SHOULD ESTABLISH TRAINING STANDARDS TO IMPROVE THE QUALIFICATIONS OF PERSONNEL IN LOGISTICS AND PROPERTY MANAGEMENT POSITIONS THROUGHOUT THE DEPARTMENT.

There are many different approaches to property management, and different levels of expertise and experience throughout the Department. (Descriptions of the various programs are provided in the appendix.) The scope of day-to-day activities does not vary substantially from one program to another, but staff capabilities do. While more experienced property managers take steps enabling them to improve their programs in the long run, those with less experience tend to concentrate only on short-run needs.

The ALRS should be able to recognize the variances in the capabilities that exist in DHHS property management staffs. It could, for example, require that the operating divisions and agencies furnish staff profiles, including the formal training backgrounds and career paths of staff members. Using that information, it could task an LMAG working group to analyze the Department's staff capabilities and use the results to develop training standards that operating division and agency staff members must meet to carry out their property management responsibilities. Such an effort would ensure that at least a minimum level of knowledge is available to each DHHS operating division and agency, and it would ensure a more homogeneous mixture of property management talent in DHHS property management programs. By assessing the capabilities of its staffs, the ALRS will become more familiar with their strengths and weaknesses. It should then encourage more knowledgeable staff members in some organizations to guide less experienced staff members in other organizations toward more effective logistics practices.

Most of the operating division and agency property management personnel we talked to expressed a strong interest in a Departmental logistics career ladder. Because of the Department's decentralized management organization and the variety of missions that exist in it, it makes good sense to keep as many capable logisticians in DHHS as possible. The ALRS should develop career path management for the
Department's logisticians. While no civil agencies that we visited outside of DHHS have a logistics or property management career path, the Department of Agriculture policy staff is considering a qualifications program. The Department of Defense and the Military Services have had logistics career paths for many years and have built extensive corporate knowledge in the logistics community. We do not believe that DHHS needs the level of career management required in the Defense Department, but it should provide better career opportunities to its logisticians.

**RECOMMENDATION 9: THE ALRS SHOULD NEGOTIATE CHANGES WITH GSA TO IMPROVE EXCESS PROPERTY MANAGEMENT.**

The FPMR requires that excess property reported to GSA be screened for reutilization for 180 days before other action (such as disposal, sale, or donation) can be taken. Some DHHS property managers have successfully negotiated agreements with GSA enabling them to turn excess property over in less than 180 days and permitting them to reduce storage requirements. The Department of Agriculture has negotiated with GSA a similar agreement that provides the same benefits to the entire Department. Meanwhile, some DHHS property managers still operate with severe storage constraints and are unable to manage excess property effectively, while others submit requests for disposition and wait up to a full year before receiving instructions from GSA. We believe that the ALRS is in a position to negotiate a Departmentwide agreement with GSA that will provide relief for those DHHS agencies that need it. *The ALRS should negotiate a Departmental agreement with GSA to relieve storage problems and improve GSA response to disposition requests.* The agreement should contain waivers such as the one granted HCFA covering its excess office furniture.

**RECOMMENDATION 10: THE ALRS SHOULD ESTABLISH DEPARTMENTAL POLICY FOR PERSONAL PROPERTY MANAGEMENT IN THE REGIONS.**

The DHHS Regional Administrative Support Centers (RASCs) are run very differently from each other. Property management practices vary widely from one region to another. We discuss the advantages and disadvantages of those differences in the appendix. From a property management standpoint, some of the RASCs are operating in a way that opens themselves up to potential problems. *The ALRS should define, in the MMM, a Departmental policy for personal property management in the regions.* Since most of the RASC property management clerks are not formally
trained material managers, that guidance could help reduce confusion over accountability in the regions.

RECOMMENDATION 11: THE ALRS STAFF SHOULD BE EXPANDED BY A MINIMUM OF TWO FULL-TIME EQUIVALENT POSITIONS.

We make several recommendations that would severely tax the capabilities of the current ALRS staff. We strongly believe that it will be necessary to implement our recommendations if the Department's property management programs are to be effective. To do so, the staff needs to be expanded. Therefore, we recommend that the ALRS staff be expanded by a minimum of two full-time equivalent positions. We believe that to be a modest increase, given the size of the ALRS compared to that of policy staffs in other departments. We also believe that our findings support the need for additional staff capability.

SUMMARY

The ALRS is critical to DHHS property management effectiveness. Our recommendations will help the ALRS to use its talents more efficiently. The end result will be better use of DHHS property and better use of the Department's financial and staffing resources.
CHAPTER 3
MANAGEMENT INVOLVEMENT

One of the most striking differences between DHHS and the other Federal organizations visited was the degree of emphasis placed by senior management on the care of, accountability for, and reutilization of personal property. With the exception of one PHS agency, NIH, it appeared that DHHS property management programs have visibility at only a very low level. At NIH, property management had been declared a material weakness and cases of misuse of NIH property had been publicized, so management attention at NIH is significant, although it has only recently become so.

We believe that much of the success of the property management programs we saw in the Departments of Commerce, Agriculture, and Defense is due to the attention paid to them by management. Most noteworthy was the extremely high reutilization rate for excess property in the Department of Agriculture, which was brought about through highly visible commitment, effective performance feedback, and capable property management and procurement staffs.

In DHHS, we found property management staffs to be generally quite capable but not very well supported. In the previous chapter, we discussed the lack of communication and mutual support in the Department's property management programs, which handicaps those staffs. They are handicapped by weak property discipline and lack of visible commitment by senior management.

Excess property reutilization rates could be substantially improved if there were better incentives to use excess property. One operating division property management chief expressed frustration that he was unable to influence those who bought accountable property in the operating division, because they had little reason to limit their expenditures, a strong appetite for purchasing new equipment, and no guidance to do otherwise from line management. We think that can be changed.

Likewise, accountability can be substantially improved. Lost or damaged property, or property that has been informally transferred elsewhere, is stricken from records, sometimes without so much as a report of survey. Employees accountable for
property can depart before reconciliation of their property accounts. In some operating divisions or agencies, the accountable officers are so high in the organization, and the number of accountable items so vast, that it is unlikely they could control the property for which they are accountable.

A strengthened and more focused ALRS, which we recommended in the last chapter, could invite more executive-level attention to property management issues and bring about improvements in both accountability and excess property reutilization. Such an ALRS would advise operating division management on how to reduce the need for equipment funding and fulfill Federal financial management responsibilities by being more attentive to their property management programs. As the Secretary's expert staff in property management matters, the ALRS should aggressively push for more – and more formal – management support of property management programs, provide feedback on the effectiveness of Departmental property management programs to OS and divisional executives, and communicate OS's commitments to its functional counterparts in the operating divisions.

We recommend that the ALRS prepare a letter to the divisional directors – to be signed at the highest level possible, but no lower than the Assistant Secretary for Management and Budget – laying out in very direct terms the importance of property management programs in the control of Departmental resources and in the prevention of fraud, waste, and abuse.

We also recommend that the ALRS develop a formal reporting program comparing the operating divisions' property management programs in terms of size and effectiveness. It should disseminate reports on a regular basis to the divisional directors and to their property management staffs. Reports should also be prepared for and disseminated to the PHS agencies. Measures of effectiveness should include reutilization rates for excess property; rate of growth of inventory (acquisitions); rate of reduction in inventory (disposals); and total inventory value, relative to number of personnel.

Finally, we recommend that the ALRS prepare a formal annual report to the Assistant Secretary for Management and Budget on the size and scope of the DHHS personal property inventory, the effectiveness of the personal property management program, and its recommendations for improving that program. That report will help
the ALRS to better define its goals for Departmental property management programs.

We firmly believe that the strength of DHHS property management programs depends on the level of management support. That support in turn depends on two factors: how visible the programs are to executive-level management, and how well that management understands their value. The ALRS, which has the staff expertise in property management, should ensure that the programs are visible to and understood by the Department’s senior management.
In order to understand the logistics environment at the Department of Health and Human Services (DHHS), we surveyed the Office of the Secretary (OS), the operating divisions [including the agencies in the Public Health Service (PHS)], and a representative sample of the Regional Administrative Support Centers (RASCs). While our concentration was on property management, we also surveyed excess property, supply, warehouse, and inventory management programs. The results of those surveys are presented below.

THE OFFICE OF THE SECRETARY

The mission of OS is to provide direct support to the Secretary and operationally administer Departmental policy and oversight from the staff divisions supporting the Secretary.

The Office of the Secretary employs about 4,400 people, who are for the most part office workers. The vast majority of logistics support for OS involves the support of these workers. That means that OS's logistics needs are modest and mostly involve supplying, managing, and disposing of office equipment and furniture.

The Office of the Secretary has an unusual aspect to its mission in that it provides support to many of DHHS's most senior managers, including the Secretary. That means that the support provided must be extraordinarily responsive, even at some additional cost. In addition, the dynamic nature of DHHS management requires that OS must continually be prepared to meet short-notice requirements for temporary or permanent support.

As an example of the need for responsive support, in late 1988 OS was required to support DHHS's portion of the Presidential transition team with desks, furniture, equipment, and supplies. Those exact equipment requirements were not known until just days before the initial issue of material was needed. OS logistics personnel were
able to meet the requirement, mostly from on-hand resources. Additional taskings of a similar value will continue to occur.

Logistics Organization

The Office of the Secretary maintains its logistics capability in the Material Management Branch (MMB), under the Director of Administrative Services (DAS). The branch has three sections: the Supply, Forms and Records Section; the Transportation Section; and the Material Handling Section.

The Supply, Forms and Records Section manages the entire DHHS supply of items that are unique to DHHS, such as Departmental flags, achievement award forms, and letterhead. Any DHHS customer needing one of those items orders it through the section. That is the only supply function of the section, since OS customers order other supplies directly through procurement channels. The section was formerly responsible for supplying Health and Human Services (HHS) forms and manuals to organizations within OS, but that function has been transferred to the Consolidated Forms and Publications Distribution Center in Landover, Maryland. Finally, the section performs the records management function for OS.

The Transportation Section manages OS's motor vehicle fleet. Most of the vehicles are passenger automobiles used either as pool vehicles or with assigned drivers. The section does have two trucks permanently assigned to the Material Handling Section.

The Material Handling Section operates what is described as a "transit" warehouse in Springfield, Virginia. That warehouse serves as the central receiving point for most of the equipment and furniture purchased by OS and also serves as a transit point for shipping excess equipment and other large items to the General Services Administration (GSA) and other Federal agencies. The warehouse stores a limited quantity of rehabilitated surplus furniture against anticipated requirements. It also stores a few supply items too bulky for storage in the DHHS office buildings, such as bulk forms, copy paper, and records storage boxes. When we toured the facility, it was being used as temporary storage for large quantities of systems furniture that had been delivered but could not be immediately installed. That systems furniture is expected to be completely installed by late 1991.
Supply, Warehouse, and Inventory Management

We believe that the MMB does a good job of supporting OS’s office workers and senior managers. The systems in place provide responsive support and allow the flexibility needed to respond to unforeseen requirements.

We were favorably impressed by the management of the warehouse and by its relatively low price per square foot. The OS portion of the warehouse is well maintained and well managed. The cost of the warehouse, at about $8.00 per square foot per year, is low by Washington area standards; some other DHHS facilities we examined cost in excess of $20 per square foot.

We are convinced, however, that the warehouse provides far more capacity than OS currently needs. Our conversations with other operating divisions and agencies revealed that they need warehouse space. However, those operating divisions and agencies do not need enough space to justify the cost of leasing a warehouse or public storage facility to fill their needs. OS should consider providing warehouse services to those operating divisions and agencies on a cost-reimbursable basis. The impact would be a more fully utilized warehouse, lower direct cost for OS, and elimination of the warehouse shortage for needy operating divisions and agencies.

Some of the warehouse already is being used by another DHHS organization. In fact, the one problem we observed at the warehouse was the poor management of non-OS space. The Family Support Administration (FSA) has “subleased” a portion of the warehouse from OS to store excess equipment. That equipment was inefficiently piled in its space and detracted from what was an otherwise neat, efficiently managed warehouse.

Property Management

We found the automated OS system for accounting for property to be effective. It provides the tightest centralized managerial control of property we saw anywhere in the Department. The personal computer (PC)-based system used to perform the recordkeeping functions is appropriately sized to support the approximately 26,000 items tracked. The system allows relatively unskilled workers to conduct inventories by using bar code readers. In addition, the use of bar codes has reduced an inventory process that once took months to complete to one that only takes a few weeks. No
written procedures are used in OS, which relies on the Material Management Manual in this area.

Most important to the success of the system, however, is the degree of management support it receives. OS managers believe that the system is necessary to support meeting new furniture and equipment requirements at the lowest cost. They give the system enough attention to ensure that the operators and users make it work and they are planning to improve it substantially in the near future. Recently, the Logistics Management Institute (LMI) conducted a requirements analysis of the property management system as part of an Information Strategy Plan (ISP) project undertaken by the Office of Management and Acquisition (OMAC).

The goal of the ISP project was to integrate fully all of the elements and functions involved in maintaining a Government property inventory, including personal property and automated data processing equipment (ADPE). Results of that analysis were published in a report provided to OMAC.

The only criticism we can make about the property accounting system is that it has a very low accountability threshold. Any piece of equipment of more than nominal value is bar coded and entered into the system. That results in an average of nearly six items in the inventory for every employee of OS. Since the value of the OS inventory is $7.23 million, the average cost per item maintained by the property accountability system is $278, below even the $300 accountability threshold previously required by Department policy. In addition, over 17,000 of the 26,000 records in the data base are furniture items, items not accounted for in other DHHS organizations.

We agree that OS should control executive furniture because of its need to fill unusual requests. We do not agree that all furniture, including chairs and other basic furniture items, should be controlled in the same way as expensive or sensitive items. Other agencies and Departments use a more practical approach of accounting for property by counting total numbers of items in each office. That method of controlling furniture is not as laborious as the present one, and it meets the Department's accountability requirements. Aside from furniture, OS's accountable property is made up of ADPE and other office machines.

Since the property management system uses approximately two full-time equivalent workers per year, we are not certain that the high degree of control is
worth the price. We do believe, however, that that is a decision to be made by OS management in light of its mission and resource allocation.

Excess Property Management

We believe that OS's management of excess property provides it with significant cost savings because of its aggressive marketing of rehabilitated surplus furniture. OS supports a relatively small population and one that uses only a few kinds of property. When an item is declared surplus, MMB personnel know from experience whether anyone in OS is likely to need it in the near future. Those items likely to be needed are stored in the warehouse, while all others are immediately shipped to GSA. If the inventory of potentially useful items grows too large, the excess is also shipped to GSA.

It must be noted that this policy is in technical violation of the Federal Property Management Regulations (FPMR), which states that an agency will "to the maximum extent feasible, reassign the property within its activities." OS, as well as in other operating divisions and agencies in DHHS, does not screen its excess with the other operating divisions before shipping it to GSA. Considering the amount of unused warehouse space in Springfield, Virginia, OS should consider Departmentwide screening before shipping its excess to GSA.

Conclusion

Generally speaking, OS has a sound logistics operation for an organization of its size and mission. OS can take advantage of the entire warehouse and provide storage space for other operating divisions or agencies in DHHS that do not have access to a warehouse by offering its warehousing services to them on a cost-reimbursable basis. That would help reduce OS's direct warehousing costs and would provide badly needed storage space for other operating divisions and agencies. Currently, operating divisions such as the Office of Human Development Services (OHDS) are using badly needed office space to store excess property.

THE REGIONAL OFFICES

The Department's responsibilities outside of headquarters activities are satisfied by field workers assigned to DHHS's 10 regional offices (Boston, New York,

Personal property management and supply management are two of the services furnished by the Division of Administrative Services in the RASCs. The RASCs provide centralized administrative, engineering, accounting, financial, personnel, and other services to the Office of the Regional Director, the regional offices of the operating divisions, and the regional components of the staff divisions of OS.

Although the RASCs have identical missions of providing a variety of services, how those services are provided varies in practice from one region to another. For example, in Atlanta, we found that the RASC actively manages logistics support for the entire headquarters, including the operating divisions, and is able to set and enforce logistics policies for the region. On the other hand, in the region based in Chicago (Region V), the RASC is generally much more passive, providing services that the operating divisions can use or not as they choose. We found no written policy guidance to suggest which approach is correct.

Understandably, the RASCs we visited are much smaller operations than the headquarters logistics operations in the Washington/Baltimore area. That means that the RASCs can rarely dedicate a precious full-time equivalent solely to supply, personal property management, and excess property management. Logistics workers at the RASCs tend to be generalists rather than specialists, handling a wide variety of support issues. Except in the large RASCs, there is little or no formal logistics training, and the operations we saw tended to be the product of hard-working, well-meaning staff members with very limited logistics expertise.

That said, it is apparent to us that in spite of a universal shortage of personnel, the RASCs are providing adequate support in most cases. We saw many innovative approaches to the problem of providing logistics support. In fact, of the three RASCs we visited, no two were even remotely alike in their approach to the mission.

A horizontal and vertical communication pipeline is lacking in the RASCs. Many of the same problems surface in each place we visited, but none of the RASCs contact other RASCs to compare notes. We made it a point to ask what they regard as the definitive policy guidance document from DHHS in property management; in three RASCs, we received three different answers. We also asked who the main
DHHS headquarters point of contact is in resolving policy issues; again, we received three different answers.

Supply Support

Supply is generally not a major problem in the RASCs. No RASC we visited felt that it had enough volume to stock anything other than forms, and a supply closet was usually adequate for that purpose. Other supplies are ordered directly from GSA service centers or by the local procurement offices. Sometimes supplies and equipment arrive unannounced and unexpected, usually when operating division headquarters make mass purchases, specify direct shipment, and do not notify the appropriate officials at the regions to expect the material.

We did observe a large number of PCs of many different brands and types in use at the regions we visited. For example, in one office in Kansas City, we counted four different brands of PCs. We believe that the profusion of PCs and peripherals may cause configuration management problems in places where little expertise is available to resolve them.

Property Management

The effectiveness of property management varies dramatically from one region to another. While all the property managers we talked to are familiar with the basic FPMR requirements, there is widespread confusion about what DHHS policy is and how it is supposed to be applied in the regional offices.

The single greatest problem is a lack of clear guidance about who is responsible for managing property in the first place. We found no delegation process at the DHHS level to assign the responsibility to the RASC or else to assert that it is the responsibility of the operating division. Thus, the region itself determined what the policy should be, while concurrently each operating division and PHS agency also sets its own regional property management policies. Property management practices in the regions should be consistent throughout DHHS. In Atlanta, property is managed by the RASC; in Chicago, the operating divisions are (supposedly) responsible. We see three alternatives for managing personal property in the regions:

- No change to current practice: We visited three regions and saw three different methods used to manage personal property. Maintaining the
status quo does not relieve the RASCs of their confusion over where property management responsibility rests for the property in their regions.

- **RASCs will centrally manage all property within their regions**: Property managed centrally by the RASCs would include property used by the regional headquarters and by the operating divisions in that region. Procurement and disposal of property would be managed by the RASC, and new equipment purchases would be funded by the operating division requesting the property. If an operating division elects to move an office from a particular region, the property in that office would be transferred from the RASC to the operating division that owns the equipment.

- **Property will be managed centrally by the owning operating divisions, with RASCs providing technical assistance and oversight to the operating division regional offices**: This alternative allows an operating division to manage all the property it owns. An operating division can redistribute its assets within a region or between regions as it sees fit without the need to coordinate a move with another agency (such as the RASC). Some operating divisions and PHS agencies already centrally manage property in the regional offices or are adding regional office inventories to a central database located at headquarters.

A drawback to this alternative is that the cost of changing directions now would be prohibitive, and the move would not be well received at the operating division or agency level. Also, most of the property management clerks in the RASCs are only part-time property managers. Their responsibility would change to one of technical assistance and oversight. Yet, in many instances, they may be no more knowledgeable than those clerks whom they would assist or oversee.

**The KATIE System**

The only standard property management accountability system we found in DHHS is in the RASCs. That system, KATIE, is a commercial, off-the-shelf system that does a good job of maintaining basic property accounting records. All three regions we visited were using it. Unfortunately, KATIE was distributed to the field without training the user community, so its operation ranges from sophisticated to primitive.

**Excess Property Management**

The success of excess property management in the regions is generally contingent on whether storage space is available to hold the excess during the screening process. Oddly enough, the most successful program we saw in the
three regions we visited was in the very small RASC in Kansas City. It has the good fortune of having a GSA facility nearby that is capable of receiving excess property as fast as it is generated. When property becomes excess, the RASC informally tells the other DHHS offices it is available; if no office claims the property within a week or so, it is shipped to GSA. Excess property management is not a problem in Kansas City.

Unfortunately, that is not the case in other RASCs with less responsive GSA support. The urban office buildings where those regional offices are located have little, if any, bulk storage space. Since GSA has less adequate facilities in those cities, it generally tells the RASCs to keep the property while it is screened. Thus, the RASCs are using expensive, badly needed office space for storing excess property. We believe that alternatives to that practice — such as using commercial public warehousing — are probably cheaper.

**Conclusion**

We believe that the RASCs are doing a good job in supply, personal property, and excess property management. To do a better job, the RASCs need better communication, training support, a consistent policy on property management that is defined and understood, and Departmental help in dealing with GSA.

The RASCs share many of the same problems but do not talk to each other. We believe that RASC logisticians can benefit from improving their communications network with each other and sharing thoughts on how to solve property management problems that they have to overcome. Logisticians in some RASCs may find that problems they are facing have been overcome in other RASCs. In those cases, informal communication can be considered a form of informal training.

The KATIE property management system was installed in the RASCs without the benefit of a training program for system users. That has resulted in varying degrees of its use from one region to another, because RASC property management clerks have differing levels of system experience. In addition, the RASC property management clerks exhibited varying degrees of technical property management expertise. We believe that some minimal amount of structured training external to on-the-job training could benefit those clerks with no property management background.
On the basis of its interpretation of Departmental policy, each RASC staff follows its own procedures for managing personal property. However, we found that in addition to various interpretations, staffs from each separate RASC refer to different policy documents for setting property management procedures. We believe that the RASC property staffs would be more effective overall if they were to operate using one consistent, well-defined property management policy.

Storage space is a premium at most RASC locations, and valuable office space is sometimes used to store excess property after it is reported to GSA. GSA does not always respond to disposition instruction requests for excess property as quickly as the RASC staffs desire. Therefore, the RASCs need Departmental-level help in dealing with GSA regarding disposition of excess property.

THE FAMILY SUPPORT ADMINISTRATION

The FSA, created in 1986, is the newest operating division in DHHS. FSA administers programs such as Aid to Families With Dependent Children, Low-Income Energy Assistance, Refugee and Entrant Assistance, and Child Support Enforcement.

The Family Support Administration employs a staff of 1,029, with about 500 in Washington and the rest in the regional offices. FSA's budget for FY91 is over $18 billion. Personal property is managed in the Division of Facilities and Telecommunications Management under the Office of Management and Information Systems (OMIS).

Supply Support

Since FSA's supply needs are modest, the only items stocked tend to be office supplies purchased from GSA. A few special items are occasionally procured by open purchase through blanket purchase agreements with local vendors. Supply support in FSA is not a concern.

Property Management

The Family Support Administration has a PC-based property management system designed to maintain centrally operating division property from FSA headquarters. The property management system uses dBASE III PLUS data base management software, and it will use modems to communicate and transfer property
management information between FSA headquarters and the regions. To date, the only regional office in which the FSA property management system is installed is the office in Philadelphia. The other regional offices will be added to the network when funding is available.

The Family Support Administration manages about 3,100 items with a total value of over $830,000, nearly 90 percent of which is ADPE. The rest of the property is general office equipment such as calculators and typewriters. A vast majority of the accountable property (92 percent) loaded into the property management data base is located at FSA headquarters, because 9 of the 10 regional offices are not on the property management network. Those offices not on the network currently manage their own personal property, either manually or on PCs. No formal procedures for managing personal property are enforced in the regions.

Although all 22 custodial officers have been appointed in writing, they do not sign for property yet because the FSA property management procedures document is not approved for distribution. FSA administrative regulations require that the property management procedures document be approved by the Assistant Administrator, OMIS, before it can be published and disseminated. The FSA property management staff told us that once the procedures receive final approval from the Assistant Administrator, OMIS, the custodial officers will be required to sign for property that is on their accounts. That step will take accountability to the lowest manageable level in FSA, because each custodial officer will be accountable for an average of about 140 property items. Under current practice, FSA's accountable property audit trail effectively ends in the property management branch.

Surprisingly, the FSA property management office conducts semiannual (instead of annual) inventories of accountable property. When the initial property inventory was conducted to serve as the baseline inventory for the new property system (the first such inventory in several years), FSA was missing only three central processing units (CPUs) and 12 monitors. Considering the time between physical inventories and the lax property accountability practices in force prior to the introduction of the new property system, we consider those losses exceptionally low. Since personal property and excess in FSA are not co-managed, the CPUs and monitors may have been declared excess and removed from FSA.
without being reported to the property management clerk. The new property management system is designed to prevent similar occurrences in the future.

Since Departmental policy requires that all property with an acquisition cost of $300 to $1,000 be inventoried triennially, FSA includes that property in its data base. It also includes those items in its semiannual inventories because it is not worth the effort to manage them separately. In addition, the use of bar codes significantly reduces the time to conduct an inventory and provides more accurate accountability information, because errors are less likely to occur than during a manual inventory.

**Excess Property Management**

We believe that FSA does a good job of managing excess property. FSA has reutilized, either internally or within the Department, nearly all its usable or reparable property reported excess since September 1988. Prior to that, the Department of Agriculture claimed most of the excess reported by FSA.

Family Support Administration property management personnel screen all excess property except ADPE, which is inspected by information systems personnel. Property declared excess is examined by the surplus management clerk, who then makes it available for reutilization in FSA before offering it for screening to the Department at large. Excess property is stored in OS's Springfield, Virginia, warehouse until it is redistributed to another operating division or agency. Some high-use items, such as typewriters, are kept by FSA because they have a high internal reutilization rate. Keeping those items in storage and paying OS a minimal fee (between $6 and $8 per square foot) for storage space is less expensive than transferring the property to another operating division and purchasing a like item a few months later.

Most of the property reported excess from FSA is old word-processing equipment (made obsolete by PCs), irreparable typewriters, and conventional furniture that is being replaced by modular systems furniture. In the past year, however, FSA has reutilized or redistributed excess property valued at over $200,000.

**Conclusions**

We believe that the FSA property management staff works hard to manage personal and excess property effectively in its operating division. However, we do not
believe that there is much dialogue between the property management clerks and the excess management clerks. The property management clerk could not answer questions about excess property, and before we had an opportunity to speak to the excess property management clerk, she was "detailed out" to fill another vacancy in FSA. The person we did talk to about excess property had little familiarity with the program. That kind of situation could be avoided if the property management clerk and the excess management clerk worked more closely together.

Both clerks need to work together routinely to gain a better understanding of how their individual responsibilities interrelate. Improved understanding will enable FSA to sustain a high level of personal property management and excess property management support. In addition, its logistics personnel will gain a better appreciation for the full life cycle of a property.

The Family Support Administration also needs more exposure to what is happening in logistics programs in other parts of the Department. While FSA awaits the opportunity to expand its property management automation into more regions, we found that other DHHS organizations, such as the Food and Drug Administration (FDA), had systems in place that accomplished virtually identical objectives and that could have saved FSA much of the cost of developing its own system. Had FSA known of other programs, it might have been fully automated much sooner.

The Family Support Administration needs technical assistance from the Acquisition and Logistics Research Staff (ALRS) in determining how to extract from its system required management reports, in the way that such reports are extracted from OS's Personal Property Management System.

Finally, FSA needs to complete and disseminate the property management procedures it has drafted. Custodial officers should be required to sign for property under their charge so that an audit trail is created for control of personal property within the organization. FSA's current procedures do not give it the capability to track accountable items below the level of the operating division property manager.

THE OFFICE OF HUMAN DEVELOPMENT SERVICES

Created in 1973, OHDS provides social services for the elderly, children and youth, Native Americans, persons living in rural areas, and the handicapped. The
FY91 OHDS budget is about $8.4 billion, nearly half of which is committed to child care programs such as Head Start, Foster Care, and Child Welfare Services.

The Office employs a staff of about 1,300, most of them located in Washington, D.C. The Logistics Services Branch, in the Division of Administrative Services, Office of Management Services, is responsible for maintaining the logistics capability in OHDS. In addition to supply and property management, the Logistics Services Branch's mission areas are space utilization, small purchases, travel, and telecommunications. Although the OHDS logistics staff has seven members, only one is dedicated to personal property, supply, and excess property management.

Supply Management

Like those of FSA, OHDS's supply needs are modest, consisting mostly of computer paper, copy paper, OHDS letterhead, forms, and publications. Other office supplies are purchased from GSA by individual offices in the operating division and are delivered directly to those offices. Supply management in OHDS is only a relatively small part of the logistics operation, but it appears to be well managed.

Property Management

The Office differs from most of the other operating divisions and agencies because it maintains a decentralized property management program. It relies completely on its regional administrators to manage OHDS property located in the regions. In fact, there appears to be no consistent property management policy within the operating division. Since there is no Departmental guidance on centralized or decentralized property management programs in the operating divisions, the OHDS program is not out of compliance with DHHS policy. While Washington-area property management appears to be effective (the only visible problem in the past several years being the loss of some telephones from the Humphrey building in Washington), we were unable to draw a conclusion regarding the effectiveness of property management in the regions. All of our property management findings, therefore, are for the Washington area only.

The criteria OHDS uses to add property to the personal property inventory are in strict compliance with the Department's property accountability criteria published in August 1989. Items purchased at an acquisition cost of $300 to $1,000 are inventoried triennially. Those items with an acquisition cost above $1,000 and
sensitive or personal appeal items are inventoried annually. The capital equipment inventory is reconciled with the general ledger quarterly, in compliance with General Accounting Office (GAO) Title 2 requirements.

For its Washington-area inventory, OHDS is testing a new mainframe personal property management system written on Paradox database management application software. OHDS currently counts about 21,500 items in the property inventory, but that figure is deceptive since all but 1,500 of them are systems furniture. Technically, systems furniture is not considered accountable property in DHHS and is generally not carried on accountable records elsewhere in the Department. The remaining inventory consists of about 1,500 items, with a total value of $500,000, for the OHDS headquarters in Washington, D.C. Most of that property is ADPE and other items identified as sensitive or personal appeal items.

The Office explained to us its reason for building an inventory of systems furniture. It is adding components as they are being delivered and, once all of the systems furniture is installed, all systems furniture records will be purged from the accountable property database. They will then be kept as a "history" file in the event of need.

The Office uses decals instead of bar codes to identify accountable property. The decals are used much the same way as bar code labels, with identification numbers that link them to inventory records, but they cannot be machine read. Since the number of OHDS's accountable items is relatively insignificant and property loss appears negligible, the OHDS logistics staff feels that the benefits of bar coding property (reduced time required to conduct physical inventories and reduction in clerical errors when conducting inventories) are not worth the costs associated with it. We agree that the benefits of converting to bar codes would be minimal.

**Excess Property Management**

We believe that, considering its size and resources, OHDS does a good job of managing excess property. Custodial officers report excess to the property management staff on an OHDS "Miscellaneous Services Request" form. If the information on the form is accurate, the property manager will screen outstanding requirements in the operating division to determine whether the excess property can be reutilized internally. When a new requisition for personal property is identified in OHDS, the requisition is forwarded to property management for review before an
order is placed with a vendor. If property management has a like item, or if a suitable alternative replacement item is available in OHDS, then the requirement is filled with an on-hand asset and the requisition is canceled. That approach to filling equipment requirements saves OHDS money and optimizes internal reutilization of assets; it is one of the tightest procurement control approaches that we have seen in DHHS.

The property manager also offers the property to OS for reutilization before preparing either a Standard Form 120, Report of Excess Personal Property, or Standard Form 126, Report of Personal Property for Sale, and forwarding it to GSA for disposition instructions. Once disposition instructions are received, OHDS delivers the property to GSA, conducts a sale of the property, or disposes of it as required.

Although OHDS's abbreviated screening process is in technical violation of the FPMR, which requires all excess to be screened within the Department, OHDS simply does not have the warehouse capacity or personnel resources it would require to store and manage 6 months worth of excess while holding it for Department-wide and GSA screening. The property manager has pursued storage alternatives, but none have proven cost effective. Besides, nearly 80 percent of the OHDS excess material identified in FY90 was obsolete Wang word-processing equipment being replaced by PCs, with much of the balance consisting of furniture items that were being replaced with modular systems furniture. Holding those items for reutilization would be of very little value. Few, if any, Federal agencies are using the Wang word-processing equipment, and Class A (executive) furniture is the only type of furniture being rehabilitated and reutilized in any significant volume in DHHS.

During the past few years, OHDS has conducted several sales of excess property. Those sales have been very successful and are a good way to strengthen OHDS's relationship with GSA, because they help reduce GSA's OHDS workload. As a result, GSA is now more responsive to OHDS than in previous years.

Conclusion

We believe that the OHDS Logistics Services Branch does a good job of managing personal property and excess for the operating division. OHDS has solid property management procedures, and it systematically screens valid requirements
before ordering new pieces of property. However, we think that OHDS could be more effective in some areas.

The Office needs to reconsider its decision to put its property management system on a mainframe rather than on PCs. The number of records that OHDS manages is small enough that the data base could easily fit on a PC. In fact, no fewer than four other property management systems in DHHS are PC-based, and all four of those have data bases larger than the OHDS data base.

A PC-based system would be far more flexible and responsive than a mainframe-based system. A PC-based Paradox data base application will allow OHDS to generate any management reports required for property management. The latest version of Paradox has an automatic file backup option and import/export capabilities that would more than satisfy OHDS’s needs. The main drawback of the PC-based system is that it would need to be carefully designed to have file security measures to avoid the risk of data misuse.

As have other operating divisions, OHDS needs to re-evaluate whether triennial inventories for items in the $300-to-$1,000 acquisition range are cost effective. We think that any items that cost below $1,000 and are likely to become lost or stolen are already classified as sensitive or personal appeal items and that there is little value in accounting for other items that cost between $300 and $1,000. The average cost of a piece of OHDS property is $333, meaning that a large number of items are in that range. The average cost of accountable items Departmentwide is nearly 10 times the OHDS average.

The Office needs to evaluate whether it would be cost effective to manage regional property centrally from its Washington headquarters. We are very concerned that the extensively decentralized system that now exists leaves open the possibility for mismanagement or even abuse in the regions. It would also make sense to use the same property management automation system in all OHDS regional offices, so that property management records would be consistent from one region to the next.

Finally, OHDS needs help in locating reasonably priced warehouse space where it can store its excess property. Since it is a very small operating division, it does not have the resources or experience needed to obtain such space on own. The Acquisition and Logistics Research Staff could help, perhaps by negotiating an
agreement that would allow OHDS to rely on the DAS in OS to help resolve its space problem. There are several options available for space. One is the OS Springfield, Virginia, warehouse; another is public storage.

THE HEALTH CARE FINANCING ADMINISTRATION

Established as an operating division in 1977 to oversee administration of the Medicare and Medicaid programs and related Federal medical care quality control staffs, Health Care Financing Administration (HCFA) employs about 4,000 personnel and has an FY91 budget of about $156 billion. Health Care Financing Administration headquarters is collocated with the Social Security Administration (SSA) headquarters outside Baltimore, Maryland. Its logistics capabilities are maintained in the Division of General Services under the Office of Administrative Services.

Supply Support

Supply support for HCFA is divided into four categories: general office supplies; Government publications, forms, and stationery; copy paper; and computer supplies. General office supplies are purchased at the SSA self-service stores by HCFA components. Each component is issued a self-service credit card, and SSA bills the components monthly for purchases made at its stores. Publications, forms, and stationery items are maintained at HCFA's 56,000-square-foot warehouse located 8 miles from its headquarters. HCFA makes weekly issues and deliveries of items required by headquarters components. HCFA components order copy paper each month, and it is delivered directly to them by the vendor. The Office of Computer Operations assumes responsibility for stocking computer supplies for the operating division.

Property Management

The Administration is consolidating several property management data bases into one located at its Baltimore headquarters. The new property management system is a relational data base (called System 204) developed in-house to operate from PCs on an HCFA mainframe network. The new property management system promises to be a useful tool, but funding cuts have limited the training given to staff members on the system.
We observed that some of the HCFA property management staff are not as computer literate as those in some of the other operating divisions and agencies in the Department. That lack of expertise can be attributed either to a lack of basic computer skills training or to the withdrawal of funding for training users on the property management system.

We believe that some combination of those circumstances contributes to the property management staff’s not being as effective as it might be, despite some of the good programs it manages. We observed that one property management staff member maintained a spreadsheet in manual form because he was not trained to use a basic spreadsheet software package such as LOTUS 1-2-3. If that spreadsheet were maintained in LOTUS, that staff member would spend less time updating it and would have more time for other tasks. We believe that because they have not been trained to operate the software programs, staff members are performing other manual functions that could be performed using computer software. Without proper training, the HCFA property management staff will be as effective as it could be.

The property included in the new property management database is:

- All HCFA headquarters property
- All accountable property at 54 contractor-operated national claims sites
- All ADPE and teleconferencing equipment at the regional offices.

The Administration experiences difficulties recovering Government-owned property (including furniture) at its contractor-operated claims offices when it terminates an agreement with a contractor. Because of those difficulties, HCFA is adding all Government-owned furniture at those 54 sites to the accountable property inventory. We believe that procedure is prudent for HCFA, because the independent nature of those offices does not provide HCFA headquarters much visibility of Government-owned assets provided to the contractors.

Accountable items in the regional offices not added to the HCFA master database are managed by the RASCs. That may cause confusion in identifying which property office (HCFA or RASC) is responsible for items used at HCFA regional offices. It is confusing for the regional offices to keep track of two separate inventories, especially since property custodians in those offices are more likely than not assigned property responsibilities as a secondary duty. We think that it would be
less confusing if all property in the regional offices were maintained on the HCFA master data base. That could eliminate some of the confusion in the regions by reducing the number of offices having claim to property managed by each regional office.

The Administration manages about 8,400 items with a combined value of $36.4 million; most are items of ADPE. The contractor-operated claims offices manage 1,600 of those items, but that number will increase significantly when furniture is added to the inventory as accountable contractor property.

The Administration uses a $1,000 property accountability threshold, with sensitive and personal appeal items that cost less than $1,000 also being accountable. Accountable items are marked with bar code labels and are inventoried annually. HCFA interprets its threshold to be in compliance with the Departmental accountability policy established in August 1989. HCFA does not include those items in the $300-to-$1,000 range that the Department requires triennial inventories on, because it considers the Department’s policy to be confusing and subject to interpretation. However, we must point out that HCFA does require manual control of non-accountable property through the use of hand receipts. That procedure assures some form of trackable accountability of all items in the $300-to-$1,000 range.

The property management staff trains newly appointed custodial officers in their responsibilities in property management and accountability. Staff members also make periodic visits to custodial officers to conduct oversight inspections and one-on-one training. Those visits help build an amicable rapport and mutual trust between the property office and the custodial officers.

In addition, HCFA’s property management staff sponsors regular meetings with its custodial officers to discuss “hot” issues pertaining to personal property management. The property manager told us that those meetings are very productive and contribute to a better understanding of property management at the custodial officer level.

**Excess Property Management**

Excess property is managed in HCFA in much the same way as it is managed in DHHS’s other operating divisions. When an item is reported excess by a custodial officer, the property management staff reviews existing requirements to determine
whether the item can be redistributed within HCFA. If the item is not required internally, it is transferred to the HCFA warehouse. HCFA then informally screens the excess item through some of the other agencies in the Department.

Items not claimed for reutilization are reported to GSA and are available to be screened by other Federal agencies until disposition instructions are received from GSA.

Much of the excess property reported by HCFA is conventional furniture that is being replaced by modular systems furniture in HCFA offices. HCFA has negotiated an agreement with GSA to expedite the transfer of excess furniture to GSA control. HCFA contacts GSA 2 to 3 weeks in advance of sending excess property to GSA, providing an estimate of the quantities of the items that will be transferred.

Although HCFA must pay the cost of transporting that furniture from Baltimore to a GSA warehouse in Philadelphia, leasing a local warehouse to store the furniture would be more expensive. Besides, the demand for the type of furniture that HCFA sends to Philadelphia is not nearly as high as it was even 3 years ago, and HCFA does not have the space in its warehouse needed to store all of the excess property.

Many of the agencies to which HCFA donates property do not want the old metal desks that make up much of that excess furniture inventory. For example, in FY89, HCFA was able to donate only $46,500 worth of property to approved non-profit agencies, out of nearly $1 million in excess property that was reported to GSA. However, HCFA did transfer nearly $604,000 worth of property to other Federal agencies for reutilization during that same year.

**Conclusion**

The Administration has a strong property management program and a good internal communications network that makes its custodial officers more responsive and effective than the custodial officers we saw in other agencies.

While HCFA ignores the Department's $300-to-$1,000 threshold, it employs a good alternative. We think that HCFA's manual procedures for controlling non-accountable property by using hand receipts provide sufficient internal control of
low-cost property and eliminate the need to maintain property records for those items.

In the regions, property management is a problem. HCFA needs to sort out its responsibilities with the RASCs to avoid confusion in the regional offices. HCFA needs to review the benefits of maintaining all regional property on the central property system instead of splitting the inventories between itself and the RASCs. Since the new property system is picking up all items in the contractor-operated claims offices, we think that it makes good sense to manage the regional offices the same way. That would help eliminate confusion and the potential that items in the regions will be double counted because they are maintained in both data bases.

The Administration operates an effective excess property management program, and its special arrangement with GSA has proven to be very productive. However, HCFA needs to share its good fortune with other operating divisions and agencies in DHHS, perhaps through the Logistics Management Advisory Group.

Finally, the property management staff needs to become better trained at using computers. We think that the staff members need to actively pursue formal or informal training in basic computer skills, spreadsheets, and data base management applications to take advantage of the information at their disposal. We believe that the benefits of training the staff will be well worth the investment. In the long run, efficient use of available information systems can lead to a reduction in the amount of effort required to maintain an effective property management program.

THE SOCIAL SECURITY ADMINISTRATION

The Social Security Administration was established when the Social Security Board was abolished under Federal Reorganization Plan No. 2 of 1946. It was transferred to the Department of Health, Education, and Welfare (later changed to DHHS) from the Federal Security Agency under Reorganization Plan No. 1 of 1953. SSA is charged with administering "... a national program of contributory social insurance whereby employees, employers, and the self-employed pay contributions that are pooled in special trust funds. When earnings stop or are reduced because the worker retires, dies or becomes disabled, monthly cash benefits are paid to partially replace part of the earnings the family has lost."1 Some of the programs

administered by SSA are Old Age, Survivors, and Disability Benefits; Supplemental Security Income; and part of the Black Lung Program.

The Social Security Administration is by far the largest operating division in DHHS and is one of the largest administrative organizations in the world. It has in excess of 62,000 employees (over 50 percent of total DHHS staffing) in 1,341 field and district offices. More than 13,000 of SSA's employees work at its main campus outside of Baltimore, Maryland. SSA has an FY91 budget exceeding $287 billion, nearly 60 percent of DHHS's entire FY91 budget.

As a result of its challenging mission, SSA has some unique, large-scale logistics problems. The solution of those problems has led to the formation of a logistics operation that is much more sophisticated than any other we have seen in DHHS.

Organization

The logistics organization is somewhat unusual because it is located in the Office of Publications and Logistics Management. The Division of Logistics Services (DLS) in that office has the Printing Division as its sister division. That organizational scheme makes sense, however, because a large part of the logistics workload is involved in the distribution of printed matter.

The Division of Logistics Services is organized into three branches: the Receiving, Storage and Issue Branch (RSIB); the Property Management Branch (PMB); and the Supply Management Branch (SMB). While the latter two are modest in size, with 18 and 3 employees respectively, RSIB is the largest logistics organization in DHHS, with nearly 170 employees.

Supply, Warehouse, and Transportation

Following its centralized management practices, SSA has established a centralized, professionally run supply and transportation system that captures many economies of scale not available to the smaller operations we observed elsewhere.

Those supply and transportation operations are managed by RSIB for SSA. The branch operates five warehouses and three self-service stores to support all SSA headquarters operations, as well as providing some support to the SSA field offices and to HCFA headquarters.
The warehouses stock commonly used supply items, SSA and DHHS publications and forms, and surplus material prior to its disposal. Together they constitute a high-volume operation that ships 600,000 lines of stock per year, sometimes on a 24-hour, 3-shift basis.

The warehouses stock many of the basic office, copier, and ADPE supply items that the other operating divisions obtain directly from GSA. That is done for two reasons. First, SSA can gain greater economies of scale by purchasing supplies in bulk rather than in the smaller quantities common to other GSA customers. Second, and more important, SSA's facilities and operations dwarf all other GSA customers in the Baltimore area. It is more convenient for both GSA and SSA to have SSA to manage its own supply requirements.

The largest supply requirement for RSIB is the distribution of SSA publications and forms. Out of approximately 5,000 supply items stocked, publications and forms account for fully 76 percent. Because Social Security regulations are constantly changing, revised publications must be frequently distributed to the field and the old versions eliminated from inventory. The number and volume of those regulations is truly staggering: one copy of the master regulation, issued to new employees, forms a stack of paper 26 feet high. The one supply warehouse we observed is a very sophisticated operation by DHHS standards, containing high-volume technology such as flow racks, high-rise storage, and carousel storage. Elsewhere, RSIB is in the process of eliminating two old warehouses in favor of a more modern one that can be operated more cheaply.

The Receiving, Storage and Issue Branch also manages SSA's transportation assets for both personnel and cargo. The branch manages approximately 75 cars and trucks, most of which are GSA motor pool cars. The fleet also includes several trucks (including two tractor-trailer rigs) for local supply delivery, among other uses. If material is being shipped out of the area, including household goods for transferred personnel, RSIB produces the appropriate Government Bill of Lading from the GSA list of approved carriers and then coordinates the shipment.

Inventory Management

Inventory management is performed by SMB. While SMB does manage inventory levels of stocked supplies, its major concern is managing the stockage and distribution of publications and forms. That involves close cooperation with the Printing
Division and consideration of the logistics involved in moving that large amount of paper to the field.

In order to make that process as efficient as possible, SMB has implemented a direct delivery program for "major use items." Those items, nearly all forms, are shipped only at predetermined intervals throughout the year (usually semiannually) and are shipped directly from the printer to the customer activity in the field. Each customer must update its requirement at least annually, and the revised quantities are forwarded to the printer. That system allows SSA to completely avoid the problem of storing many high-bulk items in the central warehouses, although it does require the customer to assume that responsibility. We think that could prove to be a problem at customer sites where storage space is at a premium.

**Property Management**

The property accountability system is in a state of flux. SSA is introducing a new Personal Computer Property Accountability System (PCPAS) to replace the old UNIVAC mainframe-based Property Accountability System. The old system has not been updated or enhanced since April 1984, when DHHS imposed a moratorium on changes or upgrades to any systems that have an impact on Finance. Because property systems can interact with financial accounting systems, they were included in the moratorium.

The PCPAS is designed to be a centralized property accountability system that operates on Quetel™ proprietary software modified for SSA's personal property needs. The system will maintain all records of the accountable property used at SSA headquarters and at all 1,341 field and district offices. SSA's inventory of accountable property currently consists of about 60,000 items, valued at over $250 million. Since SSA is an administrative agency, its inventory mix consists primarily of ADPE and furniture. However, the size of the inventory will be significantly reduced, because the PCPAS will not maintain records on furniture items. The system will account for items that have an acquisition cost of $1,000 or more as well as sensitive items below the $1,000 threshold. Property is capitalized at $5,000 as required by GAO, Title 2.

The Property Management Branch requires annual inventories of accountable property. SSA has introduced bar code technology to its inventory process in conjunction with the new property accountability system. SSA's ultimate goal in
property management is to work toward a paperless property management environment.

One drawback of the Quetel property accountability system is that property management personnel cannot perform ad hoc data base inquiries without having programmers intercede and reprogram the software to extract the required information. Other systems that we have seen are designed to allow ad hoc inquiries by system users. The PMB staff has requested that the PCPAS be reprogrammed to allow system users to conduct ad hoc inquiries without programmer assistance.

As in most other operating divisions and agencies in DHHS, the custodial officers in SSA are assigned their property management responsibilities as an additional duty. In SSA headquarters, each of the 250-plus custodial officers reports to one of the 25 division directors in the director’s additional capacity as property management officer. That practice follows SSA’s centralized management practices. In order to make property management more understandable to SSA employees, PMB wrote An Employee’s Guide to Property Management. That guide was published as SSA Pub. No. 21-050 in October 1989. It is 15 pages long and explains why and how personal property is managed in the operating division. SSA’s guide is simple, is easy to read, and could be adopted in any operating division or agency in DHHS.

Excess Property Management

Management of excess property in SSA does not differ much from that in other Departmental programs. When an item is determined to be excess to a user’s needs, it is transferred to the SSA custodial officer (CO) who is responsible for it. The CO then screens the item within his custodial area for reutilization and redistributes it to a needy user if one exists. If no requirement exists for the item within the custodial area, the item is sent to PMB, where it is screened for potential reutilization within SSA’s Baltimore/Washington offices. SSA does not screen its excess property with other DHHS operating divisions or agencies. Therefore, it is technically in violation of the FPMR, which requires it to do so.

If no requirement is identified for the item, PMB reports it as available excess property to GSA on a Standard Form 122. PMB keeps excess property items in its warehouse until GSA provides disposal instructions, or for 180 days, whichever is shorter. Upon receipt of disposal instructions for an item reported as excess, or after 180 days, PMB initiates action to dispose of it. SSA’s field offices manage excess
property independently of its headquarters. Field office property managers or COs report excess directly to the GSA regional office that supports them.

Some property is exempted from SSA’s extended screening process. To relieve overflow in its warehouse, SSA negotiated an agreement with GSA regarding disposal of excess personal property that is classified as condition code 5 or better. Those items can be shipped directly to Philadelphia, provided that they are securely packaged and that the condition code is accurately assigned to them.

Conclusions

We believe that SSA operates effective and efficient supply, personal property, and excess property management programs. SSA’s Logistics Division considers itself a test bed for GSA. We believe that if SSA is used to test new procedures or ideas in supply, property, or excess management, then it would be beneficial to share the positive and negative features of those procedures with the other agencies in DHHS. Considering its size and the experience of its property management staff, SSA could contribute much to the betterment of DHHS property management programs.

We think that the new SSA property accountability system should be capable of providing PMB staff with reports produced from ad hoc queries of the data base. For example, that capability would be especially beneficial if PMB had to determine the regional distribution of a specific property item, such as a given brand and model of computer. Since SSA has over 1,300 field offices, a general data base query without ad hoc capability could prove to be very laborious.

THE PUBLIC HEALTH SERVICE

The oldest of DHHS’s operating divisions, PHS was established in 1798 by an act authorizing marine hospitals for care of American merchant seamen. PHS is headed by the Assistant Secretary for Health (ASH) and is home to the Surgeon General and the PHS Commissioned Corps. PHS is a unique operating division because it employs many research scientists and medical professionals and provides direct care to patients.

The overall mission of PHS is to promote the protection and advancement of the nation’s physical and mental health. To accomplish that broad mission, PHS has nearly 48,000 employees in its eight decentralized agencies. In FY91, the PHS budget totals over $16.3 billion, most of which is used in PHS’s research agencies.
Since PHS is decentralized and each of its agencies supports itself logistically, we visited six PHS agencies' logistics operations and the consolidated logistics organization in the Office of the Assistant Secretary for Health (OASH).

**Office of the Assistant Secretary for Health**

This office is the headquarters activity of PHS, providing resources, policy, and oversight to the PHS agencies. OASH also provides some direct support services to the eight PHS agencies, particularly those in the Washington area.

**Policy and Oversight**

Responsibility for logistics policy development and oversight rests in the Office of Management in OASH but is split between two organizations. The logistics policy staff, under the Office of Resource Management, is responsible for supply policy, while the Property Management Branch (PMB), under OASH's Administrative Services Center (ASC), is responsible for personal property management policy. Transportation policy is also the responsibility of the ASC. That split, unique within the Department, results in a rather awkward organizational capacity to develop sound and consistent policy governing the acquisition and receipt of personal property; accountable property management systems; and the identification, storage, and disposal of excess property.

The Property Management Branch considers its role to be one of technical assistance to the agencies, which are also customers of ASC's direct support services, rather than one of policy and oversight. It does not, in fact, perform oversight of property management but rather helps the agencies to interpret property management rules, conducts occasional training classes for newly appointed custodial officers, and operates ASC's warehousing and property management systems. It also maintains the inventory of property owned by OASH.

**Supply Management**

The supply management functions of the PHS agencies are the subject of other LMI studies funded by PHS and by two of its agencies. To avoid overlap, they were not surveyed for this task. PMB does maintain its own stocks of some supplies: carpeting, padding, and copy paper.
**Property Management**

The Office of the Assistant Secretary has a PC-based personal property management system based on a Quetel proprietary data base management system. The present system has been in operation for about 5 years and is strictly a stand-alone configuration. That system generates some structured reports but cannot produce reports for ad hoc queries of the data base. The present system does not give OASH much flexibility to take advantage of the information it maintains in its data base: if OASH is asked to provide an ad hoc survey showing the quantity of an item on hand, then the PMB staff has to review all property records manually to consolidate the requested information before it can provide the survey to the inquiring office.

Any changes to property records or to the data base are made by the property management staff, which appears to be very heavily tasked. When custodial officers want to adjust records or make changes, they have to submit those changes to PMB for action. If the custodial officers had access to some fields of the property records, such as location, they could make changes themselves without having to generate extra paperwork for the property management staff. The changes would be made more quickly and more productively than they are now.

The OASH property management system maintains records on some property owned by offices of the Centers for Disease Control (CDC) in Washington and on all property owned by the Agency for Health Care Policy and Research (AHCPR). AHCPR was established as a PHS agency in December 1989; its property has been retained in the OASH data base because it is a small agency with relatively few items. Since AHCPR employs only 185 people, keeping the property records in the OASH data base reduces some of the workload that would normally be required on a part-time basis of personnel in AHCPR. The current arrangement frees AHCPR staff to perform other, more important tasks. We believe that it makes sense.

The Office employs about 917 people and had an FY90 budget of $313 million. OASH owns over 5,200 items, valued at nearly $8.4 million. Most of its accountable property is ADPE and administrative office equipment.

For an administrative organization, OASH accounts for an unusually large number of property items per employee (nearly six). We attribute that to the fact that it uses a $300 property accountability threshold regardless of whether or not the
item is classified as sensitive. The property management staff told us that even if the Departmental policy clearly set a $1,000 threshold for accountable property, OASH would still use $300 as its cutoff. As we argue in our discussion of OHDS, since an agency can classify any item it considers susceptible to loss or theft as a sensitive item, we think that maintaining a strict $300 accountability threshold is not cost effective. One point the staff did make was that the property accountability criteria change implemented in 1989 was published in a memorandum and not in a Departmental issuance or directive. In fact, the medium used to change the accountability threshold has led to confusion throughout DHHS.

The Office has over 80 custodial officers who are responsible for its property. They are usually assigned property management responsibilities as a secondary duty and do not have much incentive or encouragement to treat those responsibilities as a high priority. As a result, some take their duties seriously; others do not.

Property management training in OASH has been very limited, a fact that has added to the workload of the PMB staff. In early 1989, the PMB staff, through the United States Department of Agriculture Graduate School, taught a property management course to custodial officers from OASH and other PHS agencies. The course was designed to be taught periodically to newly appointed custodial officers and was well received. However, training funds were cut, and OASH was unable to follow through with its plan to repeat the course for other custodial officers. To make up for the lack of formal training, the PMB staff spends much time with individual custodial officers answering questions and providing guidance. We think that the cost of such support is significantly more than the cost of conducting periodic formal training.

**Excess Property Management**

Procedures for the management of excess property in OASH are unique in that OASH retrieves excess property in the Parklawn complex from the resident agencies. After an item has been screened internally by an agency such as the FDA or the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA), OASH takes possession of it for further inspection and redistribution or disposal. Exceptions are laboratory and medical equipment, which are processed by research-oriented agencies such as the National Institutes of Health (NIH) and FDA. OASH consolidates its excess property at the 40,000-square-foot OASH warehouse and
reports it to GSA on Standard Form 120s requesting disposition instructions. The property is held in the warehouse until disposition instructions are received from GSA, generally within 90 days.

In the meantime, OASH also circulates a list of new excess items to all of the agencies in PHS. Also, before funds are obligated by procurement, OASH property management personnel have been able to screen some requisitions for property to determine whether the requested items are available from excess. Occasionally, they have been able to fill the requisitions without having to obligate funds. Since OASH customers control their own budgets and funds, requisition screening is only sporadic and is minimally effective; in fact, only 3 percent of excess items are reutilized. We think there is potential for additional savings if the property management personnel were to screen all equipment requisitions before forwarding them to the procurement office.

We do not think that the 3 percent reutilization rate is the best level that OASH can reach. We have found other agencies and departments that achieve much higher reutilization rates for excess property. In addition, we agree with members of the OASH property management staff that PHS and OASH managers could do more to emphasize the value of cost savings through property reutilization. The Department of Agriculture says it avoided 78 percent of new personal property procurement in the Washington area in FY89 because of management support of its excess property reutilization program.

The Office receives very quick GSA responses to its disposition requests. We believe there are two reasons. First, the OASH property management staff follows up regularly on disposition requests, and it benefits from its persistence. GSA's timely response to OASH requests for disposition may also be due, in part, to the fact that some of OASH's property management staff members are active in property management associations outside of DHHS. While participating in those associations, the staff members have built a network of contacts in GSA and in other departments that has helped them expedite excess property disposal.

Conclusions

We believe that the OASH staff has done very little in the way of policy development and oversight for two reasons. First, most PHS property management policy would logically be generated to clarify DHHS policy for the PHS agencies.
Since DHHS policy is so badly out of date and Departmental policy is so poorly understood, opportunities for making PHS policy have been minimal.

Second, the OASH property management staff is in the awkward position of having the responsibility to make policy, enforce it, and follow it at the same time. As a result, the OASH staff has established maintenance of its own inventory as its first priority and has been limited to providing technical assistance to agency property management personnel with its remaining resources. We believe that the OASH property management staff has the skills necessary to play an effective policy and oversight role if it had the time and motivation to do so.

The OASH property manager should look at automated property management systems in other DHHS operating divisions and PHS agencies to identify management reporting capabilities that the OASH system lacks. Several other DHHS systems offer ad hoc query capabilities and other features that would benefit OASH. OASH should not duplicate effort by designing its own system when other good designs are already available.

Finally, OASH should look for ways to fund custodial officer training to minimize the time-consuming technical support role it now fills. We believe that the OASH staff could easily justify the cost of providing such training with the time it would save the property management staff.

The National Institutes of Health

The National Institutes of Health is charged with improving the health of the American people by conducting and supporting biomedical research into the causes, prevention, and cure of diseases. NIH also supports development of research resources and communicates biomedical information. The agency employs about 15,000 personnel and had an FY90 budget of nearly $7.6 billion. NIH logistics capabilities are organized in the Division of Acquisition, under the Office of Administration.

Logistics programs in NIH have been the subject of a number of LMI tasks. For that reason, we did not conduct a detailed survey for this task.
Supply Management

The Supply Branch supports the Institutes, Centers and Divisions (ICDs) at NIH with consumable material support through a warehouse-based central supply activity and a decentralized ordering system called delegated procurement, or DELPRO. Consumable supplies available through the Federal Supply System are stored in four warehouses and four self-service stores that NIH operates. Consumables not available through the Federal Supply System are ordered by ICDs through the DELPRO system using blanket purchase agreements.

The NIH self-service stores are stocked from the main NIH warehouse in Rockville, Maryland. ICDs also order supplies in bin, bulk, or pallet size lots from the main warehouse. The other warehouses that the Supply Branch operates are for storage of animal food and bedding, bottled gas, and chemicals.

Most of the central supply operation at NIH is manual, with the exception of a computerized ordering system that provides warehouse personnel with computer-generated pick lists for required items.

Property Management

A new PC-based mainframe property management system was designed by the Division of Computer Research and Technology (DCRT) under the NIH Personal Property Accountability Plan implemented in January 1989. That plan was developed after NIH identified its personal property management program as a potential internal control weakness under the Federal Managers' Financial Integrity Act. The plan calls for achieving the following objectives:

- Develop a new automated personal property information system
- Communicate and enforce personal property management objectives
- Develop appropriate personal property policies and procedures
- Conduct an NIH-wide personal property inventory
- Provide training and a discussion forum for ICD property managers
- Establish controls for the retrieval, storage, utilization, and disposal of excess property
• Develop appropriate accountability procedures for property provided under R&D contracts and grants.

Although the plan’s schedule has slipped somewhat, many of its tasks have already been completed, and the rest are under way.

Since the information in the property management data base is inaccurate, new personal property information system records will be built directly from the results of the NIH-wide inventory. Therefore, we could not determine accurately the size or value of the accountable NIH personal property inventory. However, NIH’s PMB employees estimate that the property inventory consists of about 150,000 items and is valued at $500 million. That inventory is composed primarily of medical, scientific, and research equipment; ADPE; and other office machines. NIH adds property to the accountable inventory if the acquisition cost is $1,000 or more or if the item is classified as a sensitive or personal appeal item.

**Excess Property Management**

The Utilization and Disposal Section of NIH’s PMB has a systematic approach to verifying and receiving excess property from the ICDs at NIH. The section can track an excess item from the time it is identified by the ICD until it is either reissued or removed from NIH property records through sale, donation, or disposal.

The only time when assets are not visible is when they are in transit from an ICD to the PMB warehouse. Since the Transportation Division does not maintain an audit trail on its shipments from one building to another, PMB cannot specifically identify where an item is after it is picked up by the Transportation Division.

The ICDs turn in approximately one tractor-trailer load of excess property monthly to PMB. Since NIH generates so much excess property, it has to lease a 15,000-square-foot warehouse in Greenbelt, Maryland, to store it. However, before being transferred to the Greenbelt warehouse, excess property is retained in the on-campus property warehouse for a 30-day internal screening period.

We saw many items in the Greenbelt warehouse that have been in NIH’s excess system for over 2 years. NIH is aware of the significant amount of time that excess property remains in its warehouse and has taken steps to expedite utilization and disposal procedures for such property. Those steps include conducting GSA property auctions every 6 months and Departmentwide screening.
Most excess property in the warehouses is ADPE (Wang word processors), electric typewriters, laboratory equipment, and furniture. NIH saves property costs by rehabilitating and marketing its used furniture. The PMB recommends that ICD representatives purchase rehabilitated furniture instead of ordering it new. As we saw in OS, the refinished furniture is very appealing, and it costs an agency only one-third as much to rehabilitate as to purchase new furniture.

**Conclusion**

We believe that NIH is actively working to strengthen its logistics capabilities and their effectiveness. It will take time to see the full benefit of that effort.

The fact that little confidence exists in the current inventory is a catalyst for property management improvement at NIH. Other agencies and operating divisions should learn from NIH's experiences. Specifically, periodic (annual) inventories and properly trained custodial officers are extremely important in reducing the number of discrepancies in the accountable personal property inventory and increasing confidence in it. In addition, we believe that reconciling annual inventory results to the property records would have identified the need for improvement long before NIH identified personal property as an internal control weakness.

We do not believe that installing an improved property accountability information system alone will improve the long-term accuracy of the property records, nor will it increase confidence in the inventory. Property management will become more effective and efficient only if procedures that support entering accurate data in the new property accountability system are implemented. NIH should conduct regular inventories, train custodial officers frequently, and continue to give its property and excess property management programs the kind of attention it now gives them under the Personal Property Accountability Plan.

**The Food and Drug Administration**

Formed in 1931 to protect the Nation's health against impure and unsafe foods, drugs; and cosmetics and other potential hazards, FDA employs about 10,400 people and had an FY90 budget of nearly $600 million. The logistics capabilities in FDA are maintained in the Division of Management Services, under the Office of Management and Operations.
Supply Management

The Food and Drug Administration operates a supply warehouse in Washington, D.C., where it stocks both expendable and nonexpendable medical and scientific equipment and supplies. FDA orders those items directly from medical equipment/supply vendors with which it has blanket purchase agreements.

We asked why FDA had not consolidated its supply and distribution efforts with those of NIH and were told that FDA had studied that alternative and had found that FDA and NIH scientists do not use the same supplies. Therefore, the agencies do not believe they can take advantage of the economies of scale traditionally associated with combined supply and distribution operations.

Property Management

The FDA property system maintains records on over 60,000 items, valued at about $150 million. The accountable property inventory consists of medical and scientific equipment, ADPE, and general office equipment. FDA has over 600 custodial officers responsible for accountable property. They conduct annual inventories using property lists generated by the Personal Property Management Section at FDA headquarters. Custodial officers match property to the lists by FDA decal number and by manufacturer's serial number.

The FDA property management system is a PC-based application programmed in ORACLE™ software driven from the mainframe computer at the Parklawn Computer Center in Rockville, Maryland. The property records, maintained centrally at Parklawn, can be accessed by the field offices by using modem data communication links. Field office personnel may access their own district's records for information collection purposes, but they may not add records to or delete them from the master file.

The general property accountability threshold in FDA is $1,000; the agency also accounts for sensitive and personal appeal items with an acquisition cost below the $1,000 threshold.

The Administration also requires that the property custodial officers (PCOs) maintain control of all items that cost $300 or more regardless of whether or not those items are considered sensitive to loss or theft. Since those items are not maintained in the master file, FDA has designed a subsystem allowing PCOs to create additional
records for any property they control that is not accountable in the FDA master file. In addition, that subsystem has the feature of allowing PCOs to view their own master file property records and generate management reports, among other features.

To further help PCOs meet their responsibilities, the FDA Personal Property Management Section published a *Handbook for Property Custodial Officers of the Food and Drug Administration*. That handbook is a well-designed quick reference guide outlining custodial officer procedures and providing answers to questions commonly asked by PCOs. We were impressed with the PCO handbook and believe that it and SSA's Property Management Guide should be considered by the ALRS for Departmentwide dissemination. Property custodians in all operating divisions and agencies could benefit from the use of both guides, especially in some of the smaller agencies whose personnel are less well-trained and whose logistics operations are less sophisticated.

The FDA property management staff conducts on-site reviews in its field offices. The staff prepares an annual schedule and visits each property office on a 4-year cycle. Except for the Indian Health Service (IHS), FDA is the only agency in DHHS that we visited that actively conducts oversight visits to its field offices.

**Excess Property Management**

Excess FDA property in the Parklawn complex is reported to the FDA Personal Property Management Section on a Form HHS 22, Request for Property Action. In addition, the property record is transferred to the reporting office’s excess property account and entered into the agency electronic mail system for FDA-wide screening. After a 2-week screening period, the property is turned over to PHS’s ASC for further processing. Since the ASC does not accept excess medical or laboratory equipment, FDA offers such equipment to other research agencies, such as NIH and CDC before reporting it as excess to GSA. FDA complains that the speed of GSA’s responses to its requests for disposition instructions is inconsistent at best.

In the field, excess property is screened on electronic mail for 2 weeks before it is reported to the regional GSA office serving that field location. Property not claimed must be stored in office space, because the field locations do not have warehouses in which to store property. Unfortunately, the field offices are at the mercy of regional
GSA offices that do not always provide timely response to requests for disposition instructions.

The Food and Drug Administration operates a fundamentally sound excess property management program. Technically, FDA correctly manages surplus property because it screens its excess medical and laboratory property internally and with other research agencies in the Department. The property turned over to ASC becomes the responsibility of PHS and is no longer of consequence to FDA.

**Conclusion**

The FDA logistics staff manages its supply, personal property, and excess property programs effectively. It has used its logistics expertise by publishing an informative handbook for PCOs and by conducting an active oversight program.

The excess property screening system in FDA is very similar to the electronic bulletin board surplus system we saw at the University of Maryland. We are impressed with that approach to sharing excess property information and the ease with which an FDA employee can screen internally for required equipment.

**The Alcohol, Drug Abuse, and Mental Health Administration**

The ADAMHA provides a national focus for Federal efforts to increase knowledge of and promote effective strategies to deal with health problems and issues associated with the use and abuse of alcohol and drugs and with mental illness and mental health. The major components of ADAMHA are the National Institute on Alcohol Abuse and Alcoholism, the National Institute on Drug Abuse, and the National Institute of Mental Health. ADAMHA employs about 3,000 personnel and had an FY90 budget of over $2.64 billion. The logistics capabilities in ADAMHA are maintained in the Management Operations Branch, under the Division of Management Policy and Operations.

**Supply Management**

The ADAMHA does not operate a sophisticated supply management program. It currently orders its stock of laboratory supplies for its addiction laboratories in Baltimore, Maryland, on the open market, but it is working with NIH to adopt the NIH delegated procurement system, DELPRO. We did not discuss ADAMHA's supply management practices at length for this study, but we believe that ADAMHA
will benefit from DELPRO support in its laboratories. Those ADAMHA laboratories located on the NIH campus already use DELPRO and are active customers of the NIH self-service supply stores; they are subject to the same procedures and restrictions as the other institutes at NIH.

Property Management

The ADAMHA manages an inventory of about 20,000 items with a combined value of over $50 million, most of which is ADPE and laboratory equipment. ADAMHA uses a $1,000 accountability threshold, with sensitive and personal appeal items costing less than $1,000 also considered accountable. Accountable property is identified with bar code labels. Scanning the bar code labels helps ADAMHA significantly reduce the time it takes to conduct physical counts of accountable property during annual inventories.

Personal property records are maintained on a PC-based property management system programmed in dBASE III application software. Records are backed up on a mainframe computer in the Parklawn Computer Center. The Non-Expendable Control Program (NECOP) was designed as a mainframe property accountability system for use by PHS agencies. That system was modified for ADAMHA by the Quetel Company to accept a download of bar-coded information gathered during physical inventories. NECOP was first operated in PHS in 1967.

The ADAMHA property management staff centrally controls property records on a PC located in the property management office. Custodial officers have access to the information in the system, but they cannot change property records from their remote locations. ADAMHA backs up its inventory database on the Parklawn Computer Center mainframe at a cost of $10,000 per year, or about fifty cents a record. That charge is not passed on to customers.

The property management staff has a highly interactive relationship with custodial officers throughout the agency. The property management chief personally visits or meets with all 130 custodial officers at least once a year to discuss property issues and to conduct on-site training. That interaction has helped to develop and nurture a good working relationship between the property management staff and the custodial officers in ADAMHA. In addition, the property management staff helps the custodial officers reconcile inventory discrepancies during annual inventories. We can attribute some of the confidence that the property management staff has in
its property system's accuracy to its close working relationship with the custodial officers.

**Excess Property Management**

Furniture and laboratory and technical equipment comprise a majority of the excess property reported in ADAMHA. In the Parklawn complex, most of the excess that is reported to the property office is furniture. In the laboratories, however, 75 percent of excess reported to the property office is laboratory and technical equipment.

Custodial officers are instructed to report excess property through a memorandum to the property management office, which screens the excess property against outstanding requirements for redistribution in ADAMHA. The property management staff also informally screens the excess property with other agencies in the Baltimore/Washington area. If no need exists for the item, the property staff then prepares an HHS 22 and forwards it to the office or laboratory that reported the property excess.

Custodial officers on the NIH campus forward the excess property with its accompanying HHS 22 to the NIH excess warehouse and return a signed copy of the form to the ADAMHA property management office. When the signed copy is received at the property management office, the property staff drops the item from the property data base.

Custodial officers in the Parklawn complex contact the ASC when they receive the HHS 22. The property is retained by the custodial officer until the ASC sends an employee to pick up the items and transport them to the PHS excess warehouse for further processing. ASC then sends a signed copy of the HHS 22 to the ADAMHA property office. When the signed HHS 22 is received at ADAMHA, the property is dropped from the property records.

**Conclusion**

We believe that ADAMHA is running an effective logistics operation, with the exception of its open-market supply support for the addiction laboratories in Baltimore. As noted, the logistics staff has identified an alternative approach and, as DELPRO customers, the ADAMHA laboratories should be able to reduce their supply costs. We also believe that ADAMHA should share information about its
improvements to its automated property management system (NECOP) with the other agencies that use NECOP.

We found that ADAMHA's personal property and surplus property management procedures are effective. Much of the credit belongs to the agency's property manager, who has over 28 years of experience in the property management field. When he retires, ADAMHA will need a highly experienced replacement, particularly if the agency continues to grow at its current rate.

The Indian Health Service

The Indian Health Service previously a bureau in the Health Resources and Services Administration, was elevated to agency status in December 1989. The mission of IHS is to provide a comprehensive health services delivery system for American Indians and Alaska Natives and to permit tribal involvement in developing and managing programs to meet their health needs. IHS employs about 11,000 personnel and had an FY90 budget of over $1.25 billion. The logistics capabilities in IHS are maintained in the Division of Administrative Services, under the Office of Administration and Management.

Supply Management

The Indian Health Service is organized into 12 semi-autonomous areas operating service units (from urban hospitals to remote clinics) throughout the contiguous United States and Alaska. Because of that structure, supply management and consumable supply support are critical elements in achieving IHS's goal of raising the health status of Indian and Alaska Native people to the highest possible level.

The Service operates centralized warehouses in 4 of its 12 areas. Those warehouses stock medical and administrative supplies for distribution to the IHS service units in their respective areas. All IHS service units also order supplies from the PHS Supply Service Center at Perry Point, Maryland. A detailed description of IHS supply support may be found in a previous LMI report.²

Property Management

The IHS Property Management Branch staff centrally manages all agency property from its IHS Headquarters (West) offices in Albuquerque, New Mexico. It maintains records for approximately 85,000 accountable items with a total value of almost $152 million. IHS uses a $360 property accountability threshold and requires custodial officers to conduct annual property inventories for all accountable property and for sensitive items below the threshold. Those inventories are currently conducted manually, making counting the items a tedious and painstakingly long process. Using bar code labels attached to accountable items would significantly reduce the time it takes a custodial officer to conduct the inventory.

The Service has a unique mix of property for DHHS, including medical equipment, ADPE, office machines, and furniture. Most IHS property is medical equipment located in the service units. The area offices, largely administrative in nature, are outfitted with office machines and furniture.

The Service maintains its property accountability records on a NECOP property management data base system loaded on an IHS mainframe computer in Albuquerque. Area property management officers and custodial officers receive hard-copy reports and listings from the NECOP system. They use those reports and listings to manage accountable property in the IHS areas and to report changes in area inventories. Changes are annotated on the listings and forwarded to the Property Management Branch which updates the NECOP data base.

The Service’s area property management officers do not have computer access to the property management system. However, the IHS computer center staff is testing a newly developed in-house property management system that will give them access to property information through the IHS data communications network. That property system is also designed with a capability to interpret bar-coded information and is expected to be operating by the end of FY91.

Even though its staff is small (it has four employees), the IHS PMB has both active oversight and training programs. It does that, to a degree, at the expense of its routine duties. It sponsors quarterly meetings of property management officers and conducts on-site training in the area offices. In addition, it conducts four formal
property management reviews per year and told us that its objective is to conduct from six to eight reviews per year.

We believe that the property management staff will stretch itself beyond a reasonable level of effort if it expects both to keep up with its routine administrative duties and achieve its oversight and training objectives. If resource constraints force the IHS property management staff to choose between training and oversight visits and its routine duties, we believe that the training and oversight visits should take priority.

**Excess Property Management**

Excess property is controlled at the area offices instead of being centrally controlled at PMB. When a service unit determines that an item is no longer needed, it reports the item as excess to its area office, which then compiles a list of excess property and forwards it to the IHS property management office in Albuquerque. PMB then disseminates monthly excess property listings to all area offices for review. Items not claimed from those listings within 30 days are reported to GSA by the cognizant area office, which then works directly with GSA to dispose of excess property.

Some GSA offices do not respond to area office disposition requests. However, we also found that most of the area property management staffs do not follow up on their requests when GSA fails to respond within the required time. Regular follow-up by the area staffs could significantly reduce the amount of excess property being held in the IHS areas.

Excess property in the Parklawn complex is turned over to OASH, which consolidates it with excess property reported by other Parklawn occupants and assumes responsibility for its reutilization or disposal.

**Conclusion**

We believe that the IHS property management staff is as effective as it can be, given its small size and broad objectives. However, we do not think that without additional employees, the staff can sustain the level of activity to which it aspires. Aside from IHS, the only agency in the Department that conducts site visits is FDA, which has a staff of 10 full-time equivalents, compared to 4 in IHS. FDA manages 30 percent fewer accountable items and has significantly fewer field sites than does
IHS. We think that IHS should consider increasing the size of its PMB staff if it intends to maintain comprehensive oversight and training programs.

We also believe that IHS can benefit significantly (more than most DHHS agencies) from a property management network that enables the area property staffs to share information with each other. Because of its location in Albuquerque, the IHS property management staff should also take proactive steps to build both formal and informal communications networks in PHS and in the Department.

The Centers for Disease Control

The Centers for Disease Control was established in 1973 as "the Federal agency charged with protecting the public health of the Nation by providing leadership and direction in the prevention and control of diseases and other preventable conditions and responding to public health emergencies."

The organization employs a staff of about 5,100 personnel; its budget for FY90 was nearly $1.2 billion. Personal property is managed in the Office of Program Support, under the Office of the Center Director. We did not visit CDC's facilities but rather interviewed the agency's property manager to obtain our information.

Supply Support

The agency stocks a wide array of supplies, from blank forms and office supplies to chemicals and laboratory glassware. Inventory managers in CDC work closely with procurement specialists to determine stockage levels and ordering lead times. CDC's warehouse is operated by a contractor — a unique operation in PHS — and we were told that CDC is very satisfied with that approach. It offers the agency much flexibility, and it reduces concerns over use of limited full-time equivalent positions that we saw in other PHS agencies.

Property Management

Nearly 30,700 line items with a total value of over $130.4 million are managed in CDC. CDC's property inventory consists of office equipment, ADPE, and medical and scientific items. Equipment requirements are determined by the agency's nine centers. Procurement requests are routed to CDC's PMB, where they are

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checked against internal excess listings for redistribution. If the item is not available in CDC excess, the request is screened through the GSA MUFFIN system before the request can be processed. We believe that this practice is commendable, because CDC uses excess property as its first source of procurement.

Property valued at $1,000 or more and any sensitive or personal appeal items that cost less than $1,000 are accounted for in CDC. Accountable property is identified by bar code labels. The agency's custodial officers are appointed in writing and perform their custodial duties as a secondary responsibility. Property inventories are conducted annually by contractors hired to visit CDC sites. The inventories usually take 90 days to complete, and they include follow-up visits to offices missing property items. If follow-up inventories do not produce the missing items, then reports are submitted to the accountable custodial officer. Disposition for those items is left to the discretion of the agency Board of Survey. In FY90, CDC conducted four Boards of Survey for missing property valued at $89,500. The boards determined that most items were lost through theft.

The agency has a mainframe-based property management system that centrally maintains records on all accountable personal property owned by the agency (except property in the Washington area maintained on the OASH property management system). Any employee in CDC may access the property management system to view records, but only the PMB staff in Atlanta can change a property record. CDC's Atlanta operations use the system, and its large field offices are now coming on-line.

The CDC property manager told us that the agency mandated central receiving of equipment in 1989. Since then, the accuracy of property records has improved because one staff creates all records. Before that change, property records were created at field offices, and the records were not as accurate as the property manager desired.

**Excess Property**

Users assign condition codes to property they no longer require. They then submit excess property forms that include nomenclature and condition codes of the unneeded items. After the property is reported as excess, a warehouse representative picks it up and puts it into storage in a 10,000-square-foot, contractor-operated...
warehouse. CDC reports the excess material to GSA and holds it for 180 days, as required by the FPMR.

The property manager told us that the only problem she had with excess property was with assignment of condition codes. She said that many items are mis-coded and that her people cannot be sure that items reported to be in good condition are really usable. We believe that if customers do not trust the condition codes, they will be less likely to accept property items from the excess warehouse. That could interfere with CDC’s ability to reutilize excess property.

**Conclusion**

We believe that CDC operates effective personal and excess property management programs. Its use of excess property as the first source of procurement is a practice that should be adopted by all agencies in the Department. The property manager should continue to press for more accurate property condition coding by equipment users. The FPMR provides a standard table for assigning condition codes to excess property. That table should be distributed to any CDC employees who assign condition codes to excess property items.
The Logistics Management Institute (LMI) examined personal property and excess property management within the Department to Health and Human Services' (DHHS's) operating divisions, Office of the Secretary, and regional offices. DHHS's property management programs vary in size, scope, and sophistication. The study found opportunities for increasing the effectiveness of many of them. Suggested improvements include management improvements at the Departmental level, streamlining of procedures for transferring excess property to the General Services Administration, and better use of DHHS's Logistics Management Advisory Group (LMAG).

Other recommendations focus on the Acquisition and Logistics Research Staff (ALRS) which — although comprising only three persons — provides DHHS's logistics functional expertise, including property management. These recommendations include expanding the ALRS and having the LMAC become more active and assume greater policy responsibility. The recommendations are aimed at permitting the Department to eliminate confusion, duplication of effort, and lack of communication in the field; issue clearer policy guidance interpreting Federal guidelines for DHHS property managers; keep policy current; exercise needed oversight; and train and manage the property management work force in such a way as to build its skill, capabilities, and sophistication. The report calls for increased management commitment to and support for DHHS property management.