
OFFICE OF
THE INSPECTOR GENERAL

U.S. NUCLEAR
REGULATORY COMMISSION

OPPORTUNITIES FOR SAVINGS
AVAILABLE THROUGH IMPROVED
MANAGEMENT OF WAREHOUSE OPERATIONS

OIG/96A-16 September 13, 1996

AUDIT REPORT



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REPORT SYNOPSIS

In the present climate of limited resources, Federal officials are continuously exploring ways to streamline and improve their operations. Some Federal agencies have found it more economical and efficient to eliminate certain administrative aspects of their operation. The Office of the Inspector General (OIG) initiated a review of the U.S. Nuclear Regulatory Commission's (NRC) warehouse to assess the economy and efficiency of this operation, including the adequacy of the management controls.

NRC's current warehouse operations are housed in a 30,000 square foot facility which primarily services the headquarters White Flint Complex, located about one mile away. NRC expects to spend nearly a million dollars on its warehouse operations in Fiscal Year 1996. In December 1995, GSA renegotiated a 10 year lease for NRC's warehouse space. However, NRC did not reassess its warehouse space requirements to determine whether current inventory items and stock levels are still needed.

OIG found that opportunities exist for NRC to achieve economies and efficiencies in its warehouse operations by reassessing them and reducing unnecessary space requirements and unneeded inventories of supplies and property. We also found that the management controls over the agency's supplies inventory need strengthening.

We make two recommendations in our report to ensure that NRC minimizes the cost of warehouse operations and adequately safeguards warehouse assets.

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INTRODUCTION

In the present climate of limited resources, Federal officials are continuously exploring ways to streamline and improve the economy, efficiency, and effectiveness of their operations. Some Federal agencies have found it more economical and efficient to eliminate certain administrative aspects of their operation. The Office of the Inspector General (OIG) initiated a review of the U.S. Nuclear Regulatory Commission's (NRC) warehouse operations to assess the economy and efficiency of this operation, including the adequacy of the management controls. Appendix I of this report contains additional information on our objectives, scope, and methodology.

BACKGROUND

NRC first opened its warehouse in 1974 when the agency was still under the Atomic Energy Commission. In the beginning stages of its development, the NRC's headquarter's operations were housed in several locations throughout Maryland and Washington DC. Because of difficulties encountered in acquiring supplies and in supplying the various locations, NRC established a warehouse as a central receiving and distribution point for goods purchased and as a storage facility for NRC inventories of supplies and property.

During the late 1980's, NRC began the task of consolidating its headquarters offices at one location. This effort continued until 1994 when all of its headquarters offices were consolidated into the One White Flint North (OWFN) and Two White Flint North (TWFN) buildings. Over the years, NRC expanded the size of the warehouse from about 25,000 square feet to the current 30,000 square feet.

In December 1995, the General Services Administration (GSA) renegotiated a 10 year lease for NRC's warehouse space. This agreement calls for the continued leasing of a 30,000 square foot facility located about one mile away from NRC's headquarters complex.

The Division of Facilities and Property Management (DFPM) of the Office of Administration (ADM) provides overall management of NRC's property and supply programs. The Chief of the Property Management Branch (PMB), serves

NRC NEEDS TO ASSESS THE EXTENT TO WHICH IT NEEDS TO MAINTAIN A WAREHOUSE

We found that NRC could not provide documented evidence of an assessment of its requirements for warehouse space or services. Even though the size of the warehouse increased over the years, NRC has not prepared a written assessment of its warehouse space and services. In December 1995, GSA renegotiated NRC's warehouse lease for another 10 years.

Our inquiry into space utilization disclosed that the warehouse is not configured to make the most effective use of space. In addition, our analysis of the main warehouse functions also revealed that supply inventory levels are too high, property inventories are not being used, and minimal storage is needed for excess property.

Warehouse Space Is Not Used Effectively

Because NRC had not assessed its warehouse requirements, we requested an official from the U.S. Department of Agriculture's (USDA) Centralized Excess Property Operation (CEPO) to evaluate NRC's warehouse space and layout. This official currently serves as the Chief of CEPO's Landover Service Center. CEPO's mission is to help Federal agencies eliminate costly storage space and duplication of efforts between Federal agencies and housing of excess or surplus office furniture and equipment. The CEPO currently provides warehousing services to more than 30 Federal agencies in the Washington D. C. area.

The USDA official stated that it appeared NRC has at least twice as much space as it needs. Based on over 30 years of warehouse experience, he said that with different materials handling equipment (forklifts) and storage systems (racking), the agency could probably store current inventory levels in about half the space currently utilized. He added that even with the present cube-type racking, significant space savings could be achieved.

Even though there were no space assessments done, PMB staff felt that all the warehouse space was needed and that more might be needed for the OWFN restacking project. The goal of the restacking project is to renovate and relocate offices currently located on floors 3 through 16 in OWFN. The construction phase

We found, however, that since the beginning of FY 1995 the NRC has received the first partial delivery of its copier paper order within an average of 36 days and has received its entire order within an average of 50 days. NRC's copier paper requisition, dated 03/26/96, was completed in 31 days. Through our analysis of copier paper requisitions issued, we determined that since the beginning of FY 1996 NRC has been using an average of 5.2 skids of paper a week. Almost half of this paper requirement is for NRC's Printshop.

While these high stock levels might be intended to ensure the agency does not run out of supplies, we believe maintaining such stock levels is not necessary since supplies can be acquired within a few days from the GSA Customer Supply Center or local commercial sources via Bankcard. In addition, according to a GSA Customer Service Director, GSA can usually meet the maximum delivery date of 30 days. If delivery dates do not meet the agency's need, Customer Service Directors have the authority to approve purchases on the open market. In this age of "just-in-time" inventory and streamlining initiatives it does not seem necessary or economical to stock high quantities of readily available supplies.

Property Inventories Are Not Being Utilized

NRC also maintains a separate property inventory of furniture and stock equipment. The furniture inventory consists of conventional furniture and system work-station components with a value of over \$1.1 million. According to some DFPM management and staff, this reserve of furniture is needed to replace broken or damaged items and to accommodate reconfiguration of office space within the White Flint Complex. Other DFPM staff members told us that most of the furniture in the warehouse has never been used and will not be used in the future.

Based on our analysis of the PASS Furniture Inventory Usage Report, we determined that 468, or about 85 percent of the 550 furniture items stocked, had no reported usage in the 12 month period prior to April 1996. The balance of items on hand for these 468 items totaled 5,435 pieces of furniture and were valued at more than \$700,000. These figures do not take into account the TWFN systems furniture which is not tracked in PASS and is currently being stored in the TWFN parking garage. Furthermore, we learned that it might be possible for the NRC's reconfiguration contractor to provide storage for or access to the necessary systems work-station components; thereby, negating the need for NRC to store its own components.

Integrity Act (P.L. 97-255) establishes specific requirements with regard to management controls. Managers must establish controls that reasonably ensure that assets are safeguarded against potential waste, loss and unauthorized use or misappropriation. In addition, an agency's system of management controls must meet standards contained in the Office of Management and Budget's Circular A-123. These standards include provisions for the separation of duties between the recordkeeping and processing aspects of transactions.

Overall our work found that the agency's inventory of supplies is exposed to an undue level of risk to theft and abuse. This exposure is the result of a lack of segregation of duties between the recordkeeping and processing aspects of the supplies inventory, and the lack of information needed to assess the efficiency of using warehouse labor services and vehicles used for warehouse operations.

Inadequate Segregation of Duties and Delegation of Authority

Management control standards require that key duties and responsibilities for authorizing, processing, recording, and reviewing official agency transactions be separated among individuals. Managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities. To reduce the risk of error, waste or wrongful acts, or to reduce the risk of their going undetected, no one individual should control all key aspects of a transaction or event.

We found that SDS staff members have been assigned different responsibilities for filling requisitions to ensure that no one individual can misappropriate supplies without being detected. However, this control feature is often overridden because on some requisitions, one SDS staff member can perform all of the duties assigned to the different staff members. For example, we found a requisition on which the same individual signed as the initiator, the posting official, the requisitioning officer, and the receiving official.

We also found that for requests for supplies, submitted by telephone or E-Mail, SDS exercises control over the authorizing, recording, processing, and reviewing aspects of such transactions. In addition, SDS maintains files of and controls access to the documentation and records associated with these transactions.

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The Division of Facilities and Property Management (DFPM) of the Office of Administration (ADM) provides overall management of NRC's property and supply programs. The Chief of the Property Management Branch (PMB), serves

as NRC's Property Management Officer (PMO). The PMO operates and maintains the NRC property management and supply program which includes warehouse operations and control over NRC's supplies and property inventories. NRC's property and supplies are tracked using the Property and Supply System (PASS). The Storage and Distribution Section (SDS) within the Property Management Branch is primarily responsible for carrying out the warehouse functions.

NRC's warehouse functions include receiving property and supplies purchased by the agency, ordering and distributing supplies to various locations throughout the OWFN and TWFN buildings, and storing furniture, equipment, supplies and excess property. In addition, the warehouse staff performs the recordkeeping and maintains the documentation for the supply transactions. Warehouse operations also include oversight responsibility for the agency's contract to provide warehouse support services. This contract essentially provides for the warehouse labor services, office moves, and other related activities.

NRC expects to spend an estimated \$840,000, or nearly a million dollars, on its warehouse operations in Fiscal Year (FY) 1996. This expenditure includes warehouse staff salaries, warehouse rent, truck leases, and contractor support services. This expenditure does not include equipment and supplies purchased to operate the warehouse or the cost of the supply store function. The warehouse staff is responsible for executing \$1.6 million of ADM's FY 1996 budget for supplies, paper, and reproduction chemicals. In addition, as of June 6, 1996, the warehouse was housing a supply and property inventory valued at \$2.6 million.

FINDINGS

NRC could achieve significant economies and efficiencies in its warehouse operations by reducing space requirements and inventories of supplies and property. The agency has not performed a management assessment to determine the level of warehouse services needed or if more effective, efficient, and economical alternatives exist for meeting its property and supply needs. We also found significant weaknesses in the management controls over the agency's supply inventory. These weaknesses expose the agency to potential fraud, waste, and abuse.

NRC NEEDS TO ASSESS THE EXTENT TO WHICH IT NEEDS TO MAINTAIN A WAREHOUSE

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Our inquiry into space utilization disclosed that the warehouse is not configured to make the most effective use of space. In addition, our analysis of the main warehouse functions also revealed that supply inventory levels are too high, property inventories are not being used, and minimal storage is needed for excess property.

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Even though there were no space assessments done, PMB staff felt that all the warehouse space was needed and that more might be needed for the OWFN restacking project. The goal of the restacking project is to renovate and relocate offices currently located on floors 3 through 16 in OWFN. The construction phase

of the restacking project is expected to begin in November 1996 and take two and one-half years to complete. DFPM management anticipates that some temporary storage might be needed for the restacking project but exact requirements were not known at the time of our review. If the current warehouse is reconfigured, we believe space could be more effectively used and any temporary restacking storage needs could be met with existing capacity.

When the restacking project is completed, there will be a few empty floors in OWFN. According to a DFPM official, the agency is not sure what it will do with the extra space but that it would not be cost effective to use it for storage. In our opinion, the agency should give more consideration to utilizing the extra space for storage as opposed to maintaining a separate warehouse facility.

Supply Inventory Levels Are Too High

DFPM management does not set inventory levels or ordering parameters. The PASS Supply Inventory Report has established Order Points and Order Quantities that are calculated utilizing the Economic Order Quantity (EOQ) technique. This EOQ technique is based on a mathematical formula which takes into account storage and procurement costs as well as usage and order lead-times. However, the EOQ figures have not been updated since the late 1980's and according to the warehouse staff, supply orders are placed based on staff judgement and not on these figures anyway.

NRC's inventory of supplies stored at the warehouse, not including forms, consists of some 357 items ranging from pens and pencils to copier paper and toner. Our analysis showed that based on the current 12 month usage rate, approximately 60 percent (204 of 357) of the items maintained in the supplies inventory had stock levels of 6 months or more. Over half of these 204 items had stock levels of one year or more. The value of the 204 items was over \$390,000.

For example, on June 11, 1996, the NRC was storing a 5 month supply of copier paper worth over \$140,000. NRC justifies this level of stock based on the long lead-times for GSA deliveries. Warehouse staff stated that it takes up to 120 days for GSA to deliver paper and that NRC uses between 8 and 12 skids of paper per week. Consequently, this practice of maintaining high stock levels is intended to ensure that the NRC does not run out of copier paper.

We found, however, that since the beginning of FY 1995 the NRC has received the first partial delivery of its copier paper order within an average of 36 days and has received its entire order within an average of 50 days. NRC's copier paper requisition, dated 03/26/96, was completed in 31 days. Through our analysis of copier paper requisitions issued, we determined that since the beginning of FY 1996 NRC has been using an average of 5.2 skids of paper a week. Almost half of this paper requirement is for NRC's Printshop.

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The equipment portion of NRC's property inventory consists of stock office equipment and appliances. As of April 1996, the warehouse was storing 384 stock equipment items with a purchase order (P.O) cost of over \$272,000. Based on our review of the PASS Master Inventory List for Stock Equipment, we noticed that 258 items had P.O. dates prior to FY 1995, with the oldest items dating back to FY 1982. We found no evidence that these items had ever been issued and used since their acquisition. These items include 91 typewriters purchased in April 1992, and 41 microwave ovens and 46 refrigerators purchased in September 1994. DFPM management and staff explained that the microwave ovens and refrigerators were purchased in anticipation of the agency's restacking effort of the OWFN building. The construction phase of the restacking effort is not scheduled to begin until November of 1996, over two years after the purchase of these items. We believe that if NRC made purchases on an as-needed basis and disposed of unused and obsolete items, the amount of storage space needed for stock equipment could be nearly eliminated.

Minimal Storage For Excess Property Needed

Excess property is also stored in the warehouse prior to its destruction, disposal, or transfer. Beginning in April 1996, NRC implemented the provisions of a Memorandum of Understanding (MOU) with the National Institutes of Health (NIH). Under the terms of this MOU, NIH will provide the NRC with a centralized disposal service for excess equipment. This arrangement is an outgrowth of recent National Performance Review (NPR) and other initiatives undertaken to streamline government operations. As a result of these initiatives, NIH is marketing its process for excessing equipment as an alternative to GSA's process. Instead of waiting months to excess property through the GSA process, NRC can now easily transfer property to NIH with minimal administrative procedures. This new process will allow the NRC to transfer excess property every few weeks and will minimize the amount of temporary storage needed for this warehouse function.

WEAKNESSES IN MANAGEMENT CONTROLS OVER WAREHOUSE OPERATIONS

Our review of the management controls over warehouse operations found significant weaknesses which need strengthening. Management controls, in the broadest sense, include the plan of organization, methods and procedures adopted by management to ensure that its goals are met. The Federal Managers' Financial

Integrity Act (P.L. 97-255) establishes specific requirements with regard to management controls. Managers must establish controls that reasonably ensure that assets are safeguarded against potential waste, loss and unauthorized use or misappropriation. In addition, an agency's system of management controls must meet standards contained in the Office of Management and Budget's Circular A-123. These standards include provisions for the separation of duties between the recordkeeping and processing aspects of transactions.

Overall our work found that the agency's inventory of supplies is exposed to an undue level of risk to theft and abuse. This exposure is the result of a lack of segregation of duties between the recordkeeping and processing aspects of the supplies inventory, and the lack of information needed to assess the efficiency of using warehouse labor services and vehicles used for warehouse operations.

Inadequate Segregation of Duties and Delegation of Authority

Management control standards require that key duties and responsibilities for authorizing, processing, recording, and reviewing official agency transactions be separated among individuals. Managers should exercise appropriate oversight to ensure individuals do not exceed or abuse their assigned authorities. To reduce the risk of error, waste or wrongful acts, or to reduce the risk of their going undetected, no one individual should control all key aspects of a transaction or event.

We found that SDS staff members have been assigned different responsibilities for filling requisitions to ensure that no one individual can misappropriate supplies without being detected. However, this control feature is often overridden because on some requisitions, one SDS staff member can perform all of the duties assigned to the different staff members. For example, we found a requisition on which the same individual signed as the initiator, the posting official, the requisitioning officer, and the receiving official.

We also found that for requests for supplies, submitted by telephone or E-Mail, SDS exercises control over the authorizing, recording, processing, and reviewing aspects of such transactions. In addition, SDS maintains files of and controls access to the documentation and records associated with these transactions.

Also, SDS is responsible for warehouse security and for conducting and resolving inventory counts. SDS controls access to the warehouse as well as the use of security cameras placed in the warehouse to monitor warehouse operations. No procedure currently exists for anyone other than SDS personnel to control the use of these cameras or to review tapes produced in them.

Furthermore, SDS personnel are involved in the annual supplies inventory and perform weekly inventory counts on selected supply items. These weekly inventory counts were recently instituted as a control mechanism in response to discrepancies noted during the annual inventories of supplies. The results of these weekly counts are made available to the PMO. We noted discrepancies in at least three of the weekly counts performed since April 1, 1996, which had not been resolved, either by the PMO or by SDS staff.

These examples demonstrate that one individual could potentially generate a requisition, process it, change the agency's records and walk off with an item or items without detection. This capability when added to the fact that this same individual could also be involved in activities intended to detect and explain discrepancies, exposes the inventory to an unacceptable level of risk to potential fraud, waste and abuse.

Oversight of Labor Services and Vehicle Usage

NRC obtains labor services under its warehouse support contract and leases four vehicles in connection with its warehouse operations. NRC expects to expend about \$310,000 for the support contract and about \$13,000 to lease the vehicles used to carry out its warehouse function. These costs represent about 38 percent of the estimated \$840,000 annual cost of operating the warehouse.

During our review, concerns were raised to OIG about the use of the contractor labor services and vehicles. Therefore, we attempted to assess the management of the warehouse support contract and the use of the vehicles to perform warehouse operations. While NRC warehouse staff maintain a contractor log to keep track of the requisitions and types of jobs the contractor support staff works on each day, the log did not list the time spent on each requisition or the number of contractor employees needed to carry out each requisition. Furthermore, the log did not contain information on two of the four vehicles used by SDS and

contractor staff in performing warehouse functions. Moreover, the information that was kept for the other two vehicles only listed miles and not time used. Therefore, we could not assess whether job assignments were being carried out efficiently or the appropriateness of the use of the vehicles.

CONCLUSIONS

Our evaluation found that opportunities exist for the agency to improve the efficiency of and realize substantial savings in its warehouse operations. These savings could be achieved through more effective use of current warehouse space and reduction or possible elimination of its supplies and property inventories. We believe NRC needs to assess its warehouse services to determine whether its inventories of supplies and equipment are still needed and the extent to which the warehouse space can be reduced.

We also believe that, even at present inventory levels, significant savings could be achieved through the reconfiguration of current warehouse space and the reduction in warehouse space requirements. We recognize that while the restacking project could affect NRC's overall space requirement, this affect is only temporary. When the restacking project is completed, it might be possible for the OWFN building to accommodate the agency's remaining storage needs.

Furthermore, there are significant weaknesses associated with how NRC currently maintains its supplies inventory. The agency's current system of management controls over its supplies inventory provides little protection against potential theft and abuse. NRC needs to separate its recordkeeping and stock control functions for its supplies inventory. We believe DFPM management also needs to be more involved in decisions regarding determining warehousing requirements and inventory control.

In addition, the agency has not maintained an adequate record of activities performed by contractor personnel and the use of vehicles used in warehouse operations to determine if they are being used efficiently and appropriately.

RECOMMENDATIONS

To ensure that NRC minimizes the cost of warehouse operations and adequately safeguards warehouse assets, we recommend that the agency:

1. Assess overall warehouse operations with a focus on the extent to which NRC needs to maintain property and supply inventories and warehouse space and eliminate unneeded inventories, space, and related functions -- including the level of contractor support and number of leased vehicles. This assessment should take into account the alternative approaches available to the agency for meeting its property and supply needs.
2. Establish effective management controls over warehouse operations to ensure that adequate procedures are in place and working to safeguard and account for warehouse assets.

AGENCY COMMENTS

On September 6, 1995, the Deputy Executive Director for Nuclear Materials Safety, Safeguards and Operations Support (DEDO) responded to our draft report. He generally agreed with our findings, but offered comments to clarify two statements made in the report. Based on our review of the comments and subsequent discussion with agency officials, we have modified our report as we deemed appropriate.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this review was to assess the economy and efficiency of NRC's warehouse operations, including the adequacy of the management controls. We contacted the Directors of the Office of Administration (ADM) and Division of Facilities and Property Management (DFPM), the Chiefs of the Property Management (PMB) and Facilities Management (FMB) Branches and the Storage and Distribution Section (SDS), and various staff members within PMB and SDS. We also acquired the assistance of the Chief of the Landover Service Center of the United States Department of Agriculture's Central Excess Property Operation for the purpose of assessing NRC's use of warehouse space. In addition, we held discussions with the General Services Administration and NRC's Division of Contracts, ADM regarding alternative sources and methodologies for acquiring goods and services.

Our work in this area included tours and inspections of the warehouse, and examination of NRC's supplies and property inventories. We performed reviews and analyses of requisition records maintained at the warehouse and reports generated from the Property and Supply System (PASS). In addition, we reviewed the management controls over warehouse operations in accordance with guidance contained in Office of Management and Budget Circular (OMB) A-123, "Management Accountability and Control."

This review was conducted in accordance with generally accepted Government auditing standards at NRC headquarters during the period April 4th through June 28, 1996.

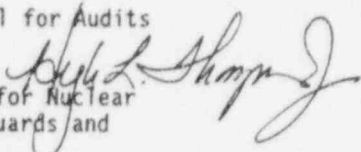
AGENCY COMMENTS ON DRAFT REPORT



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

September 6, 1996

MEMORANDUM TO: Thomas J. Barchi
Assistant Inspector General for Audits

FROM: Hugh L. Thompson 
Deputy Executive Director for Nuclear
Materials Safety, Safeguards and
Operations Support

SUBJECT: DRAFT REPORT - OPPORTUNITIES FOR SAVINGS AVAILABLE THROUGH
IMPROVED MANAGEMENT OF WAREHOUSE OPERATIONS

We are in general agreement with the subject draft report. However, two statements in the report require clarification. On page 13, the report states "the results of weekly (inventory) counts are not routinely reviewed and resolved by the PMO." This is not correct. All weekly inventory counts are reviewed and resolved by the PMO. Also, page 14 of the report states "NRC expects to spend about \$310,000 for the (warehouse) support contract." NRC will spend approximately \$244,000 for the warehouse support contract in FY '96. My responses to your specific recommendations are:

Recommendation 1

Assess overall warehouse operations with a focus on the extent to which NRC needs to maintain property and supply inventories and warehouse space and eliminate unneeded inventories, space and related functions -- including the level of contractor support and number of leased vehicles. This assessment should take into account the alternative approaches available to the agency for meeting its property and supply needs.

Response

Agree. We have held preliminary discussion with the Department of Health and Human Services' Public Support Center (PSC) regarding more efficient methods to provide certain warehouse services. The PSC maintains a large warehouse facility in Gaithersburg, MD, and provides a variety of administrative services to smaller agencies. Additionally, we will conduct a systematic study of NRC warehouse operations to evaluate potential economies in 1) existing space, 2) number of vehicles, 3) the size of the contractor staff, and 4) systems furniture inventory levels. We will also explore expanding the use of the PSC service if our initial venture proves successful. We will conduct this study during the course of the Restack project and immediately implement saving measures that will not impact this initiative. Other actions to improve efficiency that may impact Restack will be held in abeyance until the project's completion. We plan to complete this study by July 31, 1997.

- 2 -

Recommendation 2

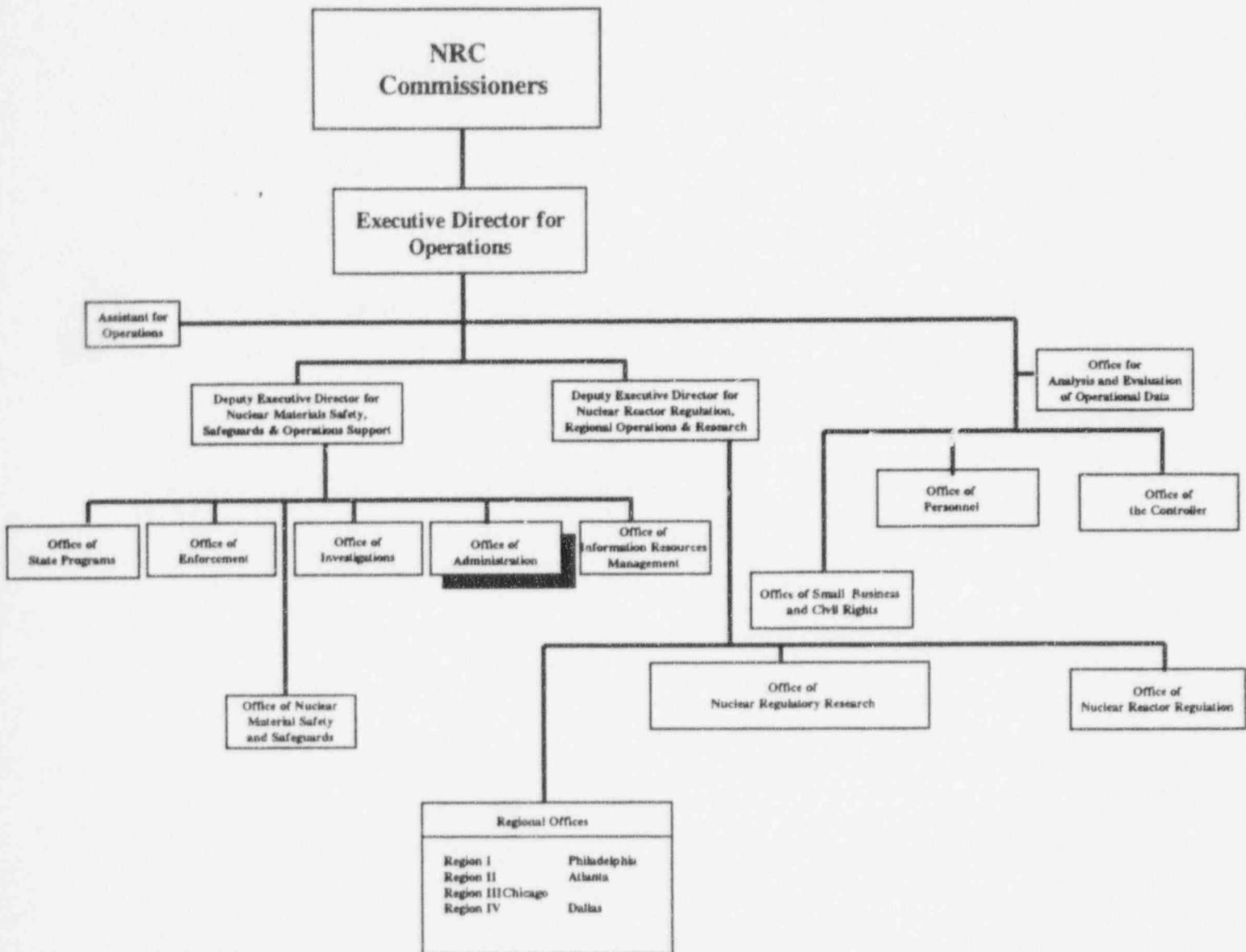
Establish effective management controls over warehouse operations to ensure that adequate procedures are in place and working to safeguard and account for warehouse assets.

Response

Agree. The following actions are planned or have been implemented: 1) the supply requisitioning process will be transferred from the warehouse and placed under the supervision of the Chief, Property Management Branch in Two White Flint North. This will separate the supply ordering and requisitioning process from the handling and delivery function (to be completed by October 21, 1996); 2) the warehouse staff will no longer have access to the property and supply system (to be completed by October 21, 1996); 3) issue a branch procedure to provide independent reconciliation of xerox deliveries (completed August 2, 1996); and 4) promulgate a notice to PMB staff prohibiting a staff member from requesting or receiving property or supplies and processing the requisition in the agency's property and supply tracking system (completed August 2, 1996).

cc: J. Taylor, EDO
J. L. Milhoan, EDO
J. Blaha, EDO
C. F. Dolinka, EDO

U.S. NRC FUNCTIONAL ORGANIZATION CHART



Areas Audited

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GLOSSARY: OFFICE OF THE INSPECTOR GENERAL PRODUCTS

INVESTIGATIVE

1. *INVESTIGATIVE REPORT - WHITE COVER*

An Investigative Report documents pertinent facts of a case and describes available evidence relevant to allegations against individuals, including aspects of an allegation not substantiated. Investigative reports do not recommend disciplinary action against individual employees. Investigative reports are sensitive documents and contain information subject to the Privacy Act restrictions. Reports are given to officials and managers who have a need to know in order to properly determine whether administrative action is warranted. The agency is expected to advise the OIG within 90 days of receiving the investigative report as to what disciplinary or other action has been taken in response to investigative report findings.

2. *EVENT INQUIRY - GREEN COVER*

The Event Inquiry is an investigative product that documents the examination of events or agency actions that do not focus specifically on individual misconduct. These reports identify institutional weaknesses that led to or allowed a problem to occur. The agency is requested to advise the OIG of managerial initiatives taken in response to issues identified in these reports but tracking its recommendations is not required.

3. *MANAGEMENT IMPLICATIONS REPORT (MIR) - MEMORANDUM*

MIRs provide a "ROOT CAUSE" analysis sufficient for managers to facilitate correction of problems and to avoid similar issues in the future. Agency tracking of recommendations is not required.

AUDIT

4. *AUDIT REPORT - BLUE COVER*

An Audit Report is the documentation of the review, recommendations, and findings resulting from an objective assessment of a program, function, or activity. Audits follow a defined procedure that allows for agency review and comment on draft audit reports. The audit results are also reported in the OIG's "Semiannual Report" to the Congress. Tracking of audit report recommendations and agency response is required.

5. *SPECIAL EVALUATION REPORT - BURGUNDY COVER*

A Special Evaluation Report documents the results of short-term, limited assessments. It provides an initial, quick response to a question or issue, and data to determine whether an in-depth independent audit should be planned. Agency tracking of recommendations is not required.

REGULATORY

6. *REGULATORY COMMENTARY - BROWN COVER*

Regulatory Commentary is the review of existing and proposed legislation, regulations, and policies so as to assist the agency in preventing and detecting fraud, waste, and abuse in programs and operations. Commentaries cite the IG Act as authority for the review, state the specific law, regulation or policy examined, pertinent background information considered and identifies OIG concerns, observations, and objections. Significant observations regarding action or inaction by the agency are reported in the OIG Semiannual Report to Congress. Each report indicates whether a response is required.

100-333407

Attention: Training Program
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