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IN REPLY REFER TO

ONRCHI/KMM
SSIC 4330
SER 245-17/029
8 May 2017

Elizabeth McShane
Manager, Property Accounting Services
Carnegie Mellon University
5000 Forbes Avenue
Pittsburgh, PA 15213

Dear Ms. McShane,

The Office of Naval Research, Chicago Regional Office, performed a Property Control System Analysis (PCSA) of the Carnegie Mellon University property control system February 27 – March 2, 2017. The review was performed in accordance with FAR and OMB requirements and within the guidance provided by the Engineering and Systems Review Branch, Office of Naval Research.

The objective of the PCSA was to ascertain the ability of the University's Property Control System to protect, preserve, account for and control Government-owned property in its custody. The PCSA included various tests and analyses of the institution's internal management controls for property management, inventory procedures, reports, disposition activities and other areas as deemed necessary to perform the PCSA.

According to ONR records, the total value of ONR administered property at Carnegie Mellon University as of 03/30/2017 is \$ 800,631.19. The property is distributed as follows:

DOD	NASA
\$ 800,631.19	\$ 0.00

Carnegie Mellon University has a written policy for the conduct of a Self-Analysis of its Property Control System per FAR 52.245-1(f). An A-133 audit was recently conducted which addressed the institution's overall property control system and no findings were reported. Carnegie Mellon University performs a physical inventory throughout the year. The inventory was performed in accordance with their approved policies and procedures. There were no deficiencies identified during the physical inventory.

In the attached report there are three findings as a result of the PCSA. Findings 17-1 and 17-2 require the University to update the University property control manual. Due to the decentralized nature of the department and length of time needed for revisions, the property manual will be evaluated during the next limited or on-site PCSA whichever is first. Finding 17-3 was resolved during the PCSA and the Government Property Administrator considers this finding closed.

Based upon the results of this PCSA and in the judgment of the Property Administrator, the property control system at Carnegie Mellon University is found to be in a compliant status. Thank you for your assistance in conducting this PCSA. If you have any questions or concerns about this report, please contact me at (312) 886-2649.

A handwritten signature in black ink, appearing to read 'K. McCormick', written in a cursive style.

Kevin McCormick
Administrative Contracting Officer

CC:
Richard Gurr, ESRB - ONR San Diego
Gwendolyn V. Jordan, ONR Chicago



**OFFICE OF NAVAL RESEARCH
UNIVERSITY BUSINESS AFFAIRS**

**PROPERTY CONTROL SYSTEMS
ANALYSIS
(PCSA)**

AT

**CARNEGIE MELLON UNIVERSITY
FEBRUARY 2017**

**Conducted by:
KEVIN M. MCCORMICK
Administrative Contracting Officer**

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**OFFICE OF NAVAL RESEARCH
UNIVERSITY BUSINESS AFFAIRS
PROPERTY CONTROL SYSTEMS ANALYSIS
AT
CARNEGIE MELLON UNIVERSITY
FEBRUARY 2017**

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**OFFICE OF NAVAL RESEARCH
UNIVERSITY BUSINESS AFFAIRS
PROPERTY CONTROL SYSTEMS ANALYSIS
AT
CARNEGIE MELLON UNIVERSITY
FEBRUARY 2017**

INTRODUCTION

The Office of Naval Research (ONR), University Business Affairs, Chicago Regional Office, performed a Property Control Systems Analysis (PCSA) at Carnegie Mellon University, located in Pittsburgh, Pennsylvania during February 27 – March 3, 2017. The PCSA included a review and analysis of the policy and implementation of the Property Control System. The review was conducted by reviewing documentation provided by the University, physically inspecting items of Government-owned property and discussions with operational and academic personnel involved with different aspects of Government Property.

The guidance used during this review is contained in the Guide for the Performance of an On Site Property Control System Analysis (PCSA) by the ONR Engineering and Systems Review Branch.

SCOPE AND OBJECTIVES

The objective of the PCSA was to develop sufficient information for the Office of Naval Research to determine whether the University's Property Control System is capable of effectively and adequately controlling Government Property in its custody and adhere to all applicable agency and contractual requirements, providing the best value to the government.

As of 27 February 2017, the University reported a total of 22 items of Government-owned; ONR Administered property, valued at \$749,028.19 accountable under its Property Control System. Twenty two (22) items of Government-owned property were selected for physical inspection.

SUMMARY OF SYSTEM ANALYSIS RESULTS

Of the 22 items selected to physical inventory the following was noted. Tag number 148007 was cannibalized for parts without official direction from the Government Property Administrator. Upon review of the most recent acquisitions, under award number N66001-16-1-4024, one piece of equipment was not to be titled to the University. Finally, the property manual was found to be deficient in three areas. All other items were sighted and found to be tagged, maintained and secured.

Based on the results of this review, the Property Control System at the Carnegie Mellon University is determined to be adequate for the control, protection, preservation and maintenance of Government property and found to be in general compliance with applicable regulations and contractual requirements. As such, the system is found to be in a "Compliant" status.

INSTITUTIONS PROPERTY CONTROL SYSTEM SELF-ANALYSIS

Carnegie Mellon University does have a written policy for the conduct of a Self-Analysis of its Property Control System. The university is required to perform a self-assessment in accordance with FAR 52.245-1(b)(4), FAR 52.245-1(f)(1)(vi), and the DOD Guidebook for Property Administration. The self-assessment documentation is located in the file.

PRIOR FINDINGS AND RECOMMENDATIONS

During Fiscal Year 2015, there were no disclosed systemic findings cited in the Limited PCSA Report. In addition, the latest A-133 Audit did not disclose any findings in the area of property management.

CURRENT FINDINGS AND RECOMMENDATIONS

Finding 17-1: University Property Control Manual:

The University property control manual was found to be deficient in the process outcomes of Subcontractor Control, Reports, and Utilization. The property manual should address all ten process outcomes as outlined in FAR 52.245-1(f)(1).

Recommendation 17-1: University Property Control Manual:

It is the recommendation of the Government Property Administrator that the University work on incorporating the required sections into the property control manual. Although not a requirement it might be in the University best interest to create a Government Property manual or process guide that specifically addresses the unique requirements of Government Property administration.

Finding 17-2: Asset Tag 148007 Cannibalized:

During the physical property inspection item number 148007 could not be located. It was later found out that the item had been cannibalized for parts without direction from the Government Property Administrator or command. It is noted that the asset was a proof of concept item that fell under the University tag threshold.

Recommendation 17-2: Asset Tag 148007 Cannibalized:

The University should strengthen communication from Property Accounting Services to individual departments on the proper procedure for interim disposition of items that are no longer needed or functioning. Before dismantling any item of Government Property proper disposition authorization instructions should be given by the appropriate Government Property Administrator / Official.

Finding 17-3: Inter-Departmental Review Procedures:

During the review of property records purchased over the past 12 months one item of equipment was found to remain as Government title and not titled to the University. In the statement of work under award N66001-16-1-4024 it was noted that the Government will retain title to one piece of equipment, but this was not noted on the paperwork from sponsored programs to property control.

Recommendation 17-3: Inter-Departmental Review Procedures:

The University property accounting service should strengthen the review of the paperwork provided by sponsored programs to ensure items of Government Property are accounted for in the system. The item in question was subsequently sighted and tagged as asset 152640 and Government Property labels applied during the review. Due to the isolated nature of this incident and completing tagging procedures on-site, the Government Property Manager considers this finding closed.