



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Office of Inspector General

October 21, 2019

MEMORANDUM

FROM: Andrew Katsaros
Inspector General 

TO: David Robbins
Executive Director

SUBJECT: Management Advisory on Accountable Personal Property (M-20-01)

I. Background

The purpose of this advisory is to alert management of potential control risks the Office of Inspector General (OIG) identified during a review of missing laptops reported to our office in December 2018 by the Federal Trade Commission (FTC) Office of the Chief Administrative Services Officer (OCASO). The original report was of nine missing laptops. During the subsequent review, OCASO identified six of the laptops as lost or stolen. An additional six laptops were identified as missing in February 2019. The Director of Logistics and Security Management researched the disappearance, but the evidence available to identify who took these laptops was ultimately found to be insufficient.¹

This advisory highlights the risks presented to the agency when effective property controls are not in place and reveals how critical it is for the FTC to enact effective processes for securing sensitive property. The FTC has taken several actions in response to these incidents including consolidating property in HQ, limiting access to accountable property, providing video surveillance of the storage facility, and requiring prompt reporting of missing assets via FTC Form 476, *Incident Reporting Form*. Our recommendations herein offer additional considerations for FTC management in its handling of its accountable property going forward.

¹ OCASO relayed to the OIG during our review that the missing laptops had been previously wiped clean; thus, we did not identify evidence that the devices would have contained controlled unclassified information ("CUI"), personally identifiable information ("PII"), or other non-public information.

II. Applicable Offices and Authorities

The General Services Administration defines sensitive personal property as “all items, regardless of value, that require special control and accountability due to unusual rates of loss, theft or misuse...” 41 C.F.R. § 102-35.20. The code section specifies that such property include information technology equipment with memory capability. The FTC refers to such property as sensitive-accountable personal property, and includes laptops in this category.

OCASO provides a broad range of administrative and information management services to the agency, including managing the physical security, emergency preparedness, continuity of operations, and safety and occupational health programs. OCASO’s Logistics & Security Management team oversees laptop inventories and is responsible for the (1) receipt, (2) secure storage, (3) issuance, (4) inventory, and (5) disposal of FTC sensitive-accountable personal property.

III. Findings

Significant Duties Related to Accountable Property Are Not Adequately Separated

Proper separation of duties within key agency processes represent a basic control for reducing the risk of unauthorized transactions, either intentional or unintentional. This control is executed successfully when key parts of a process or activity – particularly those related to asset custody, supervisory approvals, and recordkeeping – are handled by separate individuals. The physical custodians of undistributed agency property, for example, should not have access to inventory control records. In addition, if a large number of individuals have the same authority over a single process (like the custody of accountable personal property), the organization should have processes in place for granting such authority and for maintaining updated records on those individuals.

In September 2019, the OIG observed accountable property practices within OCASO’s Logistics Branch to identify control risks and vulnerabilities that may need to be addressed in light of the December 2018 events, including an observation of controls over a secured room where the property is stored. Numerous (at least 18) FTC employees and contractors have access to the secured room. We noted the following control conditions:

- At least seven individuals had both physical access to FTC laptops (custody of assets) and to the records accounting for them (recordkeeping).
- Three individuals with access to the secured room also conducted periodic property record inventories. These same three individuals also have access to property control records.
- Seven individuals with access to the secured room also had access to property control records.
- Chapter 4, Section 200 of the FTC Administrative Manual, *Property Management*, identifies positions that either do not exist or have changed, and does not identify those duties that should remain separate.

OCASO should review the list of personnel with access to the accountable property room to ensure that individuals with authorized access have no authority over recordkeeping – including the receipt, deletion, or transfer of property - or for conducting property inventories.

Risks and vulnerabilities may arise from inadequate separation of duties. Unintended risks often stem from granting employees excessive system authorizations by providing access to functions that are not within their official duties. Challenges can occur with the lack of resources, both financial and staffing. Therefore, planning for the division of responsibilities and reflecting this in the access privileges granted in the accountable property system, as well as implementing processes to mitigate any residual risk such as collusion, becomes necessary for the proper, efficient, and secure execution of the business processes. Implementing effective separation of duties will decrease risk and the number vulnerabilities.

The Government Accountability Office’s Federal Information System Controls Audit Manual² (FISCAM) offers guidance on effective segregation of duties, including the following:

1. Incompatible duties have been identified and policies implemented to segregate these duties.
2. Job descriptions have been documented.
3. Employees understand their duties and responsibilities.
4. Compensating controls for organizations with limited resources to segregate duties, such as supervisory review of transactions performed.
5. Periodic Management reviews are conducted to determine that control techniques for segregating incompatible duties are functioning as intended.

Additional Observation: The FTC Did Not Promptly Report Lost Property

Chapter 4, Section 200 of the FTC Administrative Manual requires prompt reporting of lost property, including the loss of FTC-issued equipment. The FTC uses Form 476 to document the loss, suspected loss, or compromise of non-public information, PII, and/or FTC-issued equipment. The form states that it “should be completed promptly and no later than 72 hours after reporting the incident.” The FTC reported the missing laptops to the OIG December 11, 2018, and submitted the mandatory Form 476 in February 2019.

Even factoring in an exception for the 35-day government shutdown that started December 22, 2018, the FTC did not meet the requirements for submitting a Form 476 promptly. The OIG notes that the FTC also failed to submit a Form 476 promptly with respect to the subsequent equipment loss discovered in February 2019.

Any loss or compromise of information could be significant. Specific procedures are in place for the Chief Privacy Officer, in coordination with other agency staff, to assess the significance and impact of a potential incident and respond accordingly. Prompt reporting permits the prompt analysis of the incident by all of the proper parties within the FTC, and supports a systematic response to incidents.

² [*Federal Information System Controls Audit Manual*](#), Government Accountability Office, February 2009.

Such reporting also serves to better prevent similar incidents and prepare the agency for handling future incidents that may occur.

IV. Conclusion

Overall, the FTC is moving towards having strong policies, records and controls over IT asset inventories; however, the agency needs to ensure that certain improvements are made. Inventory policies and procedures need to be reviewed, updated, and approved. Position descriptions also need to be updated to ensure that personnel understand their job responsibilities. Maintenance of inventories not connected to the network (e.g., those items in storage or without an Internet Protocol (“IP”) address) needs to be reviewed for separation of duties. Where separate duties are not possible due to lack of resources, auditing or other compensating controls need to be implemented to ensure that inventory additions, deletions, and updates are managed appropriately. Lastly, the FTC needs to make prompt notification of missing assets.

V. Recommendations

We recommend that the FTC Office of the Executive Director:

1. Develop practices ensuring that accountable property roles related to the custody of assets, recordkeeping, and conducting inventories are separated.
2. Update Chapter 4, Section 200 of the FTC Administrative Manual to reflect current positions and those duties that should be performed by separate individuals.

In its response (attached) to a draft of this Management Advisory (MA-19-02), FTC management concurred with the two OIG recommendations and provided additional clarity on planned actions.

This report will be posted on the OIG’s website pursuant to section 8M of the Inspector General Act of 1978, as amended (5 U.S.C App., § 8M).

We greatly appreciate the courtesies extended to the OIG by the OCASO team throughout the development of this product. If you have any questions concerning this report, please feel free to contact me at (202) 326-3527.

Attachment



UNITED STATES OF AMERICA
Federal Trade Commission
WASHINGTON, D.C. 20580

October 17, 2019

MEMORANDUM

FROM: David Robbins
Executive Director

DAVID ROBBINS

Digitally signed by DAVID
ROBBINS
Date: 2019.10.17 17:36:39 -04'00'

TO: Andrew Katsaros
Inspector General

SUBJECT: Management's Response to Draft Management Advisory on Accountable Personal Property (MA-19-02)

The Federal Trade Commission (FTC) understands the critical mission of the Office of the Inspector General (OIG) and appreciates the OIG's work to identify potential risks to the FTC.

The draft OIG Management Advisory (MA-19-02) discussed potential control risks the Office of Inspector General (OIG) identified during a review of missing laptops reported to the Federal Trade Commission (FTC) Office of the Executive Director in December 2018 by the FTC Office of the Chief Administrative Services Officer (OCASO). The draft Advisory recommends that the FTC Office of the Executive Director:

1. Develop practices ensuring that accountable property roles related to the custody of assets, recordkeeping, and conducting inventories are separated.
2. Update Chapter 4, Section 200 of the FTC Administrative Manual to reflect current positions and those duties that should be performed by separate individuals.

The FTC agrees with these recommendations and is committed to ensuring appropriate management controls are in place and operating as intended.

OIG Recommendation 1: OCASO will review its existing property control measures in concert with system roles and responsibilities to ensure appropriate controls and SOPs documenting those controls are in place by June 2020.

OIG Recommendation 2: In FY 2019, the FTC moved to a new system of record for asset management. In FY 2019, the Financial Management Office (FMO) Enterprise Risk Management team also conducted an internal control review of the asset management program and noted the need for updated policies and procedures. As a result, OCASO is planning a thorough review of relevant policies and procedures, as well as an update to Chapter 4, Section 200 of the FTC Administrative Manual. FTC is first developing several key Standard Operating

Procedures (SOP) to further clarify roles and responsibilities for all parties involved in the issuance, tracking, and inventorying of FTC accountable assets. SOPs will be promulgated on a rolling basis, and will be completed no later than June 2020. Also in FY 2020, the FTC will delegate specific roles and responsibilities to several critical individuals and memorialize those responsibilities in writing. After the delegations and SOPs are in place and confirmed by OCASO to be operating as intended, Administrative Manual chapter updates will be drafted by FY 2021.

Finally, FTC agrees with the need to promptly submit FTC Form 476 and is committed to working closely with agency staff to educate them on the importance of prompt reporting and compliance with submittal timelines (“promptly and no later than 72 hours after reporting the incident”).