

April 9, 2003

ROBERT L. OTTO
VICE PRESIDENT, CHIEF TECHNOLOGY OFFICER

SUBJECT: Warehousing of New and Used Computer Equipment in Raleigh,
North Carolina (Report Number OE-MA-03-004)

This report presents the results of our review of the Warehousing of New and Used Computer Equipment in Raleigh, North Carolina (Project Number 03BS002OE000). This was a self-initiated review resulting from observations made during the Corporate Contact Management Audit.

In May 2002, we observed a warehouse approximately 80 percent full of new and used, high-end and time sensitive computer equipment, some of which dated back to 1998. Acquisition value of the equipment was estimated to be over \$5 million. We concluded some of this equipment was not being redistributed, sold, or disposed of in a timely manner. We also concluded there was no master inventory and insufficient accountability controls over the equipment. Consequently, the Postal Service had not effectively utilized computer equipment, and there is the potential for loss or theft of equipment. A September 2002 site visit revealed that significant reduction of equipment—as much as 40 percent—had taken place.

The report made two recommendations addressing these issues. Management agreed with the finding and recommendations and has taken or planned corrective actions addressing those issues identified in this report. Management's comments and our evaluation of these comments are included in this report.

We appreciate the cooperation and courtesies provided by your staff during the review. If you have any questions or need additional information, please contact Robert J. Batta, Accepting and Processing, at (703) 248-2100 or me at (703) 248-2300.

Ronald D. Merryman
Acting Assistant Inspector General
for eBusiness

Attachment

cc: Richard J. Strasser, Jr.
Keith Strange
T. Wayne Grimes
Samuel S. Schmidt
Larry K. Wills
Susan M. Duchek



United States Postal Service

Office of Inspector General

Warehousing of New and Used Computer Equipment in Raleigh, North Carolina



Objective and Scope *

Objective:

- Determine if large amounts of computer equipment were still being warehoused for extended periods of time in Raleigh, North Carolina.**

Scope:

- Conducted site visits at the Postal Service Capital Boulevard warehouse during May and September 2002.
- Interviewed local Information Technology personnel and selected program managers.
- Reviewed inventory logs and other related-documents, as well as applicable Postal Service policies and procedures.

* The information presented in this briefing did not result from an audit.

** This condition was noted during an OIG site visit in May 2002 during the Corporate Contact Management audit.



Conditions

Conditions (as of May 2002):

- We found a warehouse approximately 80 percent full of new and used, high-end and time-sensitive computer equipment.
- Intent of the warehouse was to stage equipment for program deployment and replacement, as well as consolidation of Information Technology facilities in Raleigh, North Carolina.
- Acquisition value of property in the warehouse was estimated by the Postal Service to be over \$5 million.



Conditions

Conditions (as of May 2002) (continued):

- Equipment for at least 14 major programs were held in the warehouse (For example: CCM, AOI, SAMS, POS ONE, WebEOR).***
- We observed unopened equipment purchased as early as 1998, including uninterruptible power supply units, laser printers, workstations, monitors, and servers.
- No master inventory list and insufficient accountability controls.

*** Corporate Contact Management, Associate Office Infrastructure, Surface Air Management System, Point-of-Service One, Web End of Run.



Site Visit Observations

Observations (as of May 2002):

We found:

- Collectively, hundreds of high-end servers, workstations, laser printers, and new monitors.
- High-end used computer systems (Geotel Virtual Routers, Cisco Routers, Robotic Tape Systems, Wrightline computer racks).
- Hundreds of used personal computers.
- Large quantity of uninterruptible power supply units.



Associate Office Infrastructure



HP LaserJet 4000 Printers



Compaq Color Monitors



Stored Desktop Systems



Raleigh Information Technology Support Services has stockpiled hundreds of new and used Compaq desktop systems and other capital and sensitive equipment.



Other Projects



**Data Management System
Web End Of Run Servers**



PC MODS Monitors



Miscellaneous



Sensitive Equipment



High-end Used Equipment



Postal Service Actions

The Postal Service was in the process of reducing the amount of inventory and, as of September 2002, had further reduced it by approximately 40 percent since our initial site visit in May 2002.



Recommendations

We recommend the vice president, chief technology officer:

- Ensure program managers routinely review equipment housed in the warehouse and that unneeded equipment is redistributed, sold, or excessed in a timely manner.
- Develop appropriate inventory and complete accountability controls to ensure proper management of equipment, and to reduce the risk of loss or theft.



Management's Comments

- Management agreed with our finding and recommendation. In January 2003, they published warehouse standard operating procedures mandating quarterly visits by program managers to review assets stored in the warehouse. Adherence to the procedure will ensure disposal of unneeded equipment in a timely manner. Management's comments, in their entirety, are included in the appendix of this report.
- Management agreed with our finding and recommendation. In February 2003, management told us that a wall-to-wall inventory was completed to establish an equipment baseline. The recently published warehouse standard operating procedures also put in place strict controls to manage movement of equipment to/from the warehouse.



Evaluation of Management's Comments

Management's comments are responsive to recommendations 1 and 2 and the actions taken or planned should correct the issues identified in the report.

APPENDIX. MANAGEMENT'S COMMENTS

ROBERT L. OTTO
VICE PRESIDENT
CHIEF TECHNOLOGY OFFICER



March 10, 2003

RONALD D. MERRYMAN

SUBJECT: Response to OIG Draft Management Advisory—Warehousing of New and Used
Computer Equipment in Raleigh, North Carolina (Report Number OE-MA-03-DRAFT)

This provides the management response to the Office of the Inspector General advisory on the warehousing of new and used computer equipment in Raleigh, North Carolina. Actions have been taken to address both recommendations in the advisory. Detail responses to each observation and condition of the report are contained in the attachment and summarized below.

As indicated in the advisory, the postal service has made significant progress disposing of excess property and redistributing new equipment to other USPS sites, thereby reducing the computer inventory by approximately 40 percent since the May 2002 visit. These efforts have also affected the value of the property in the warehouse, reducing it from 5 million to approximately 3.6 million dollars. It is important to note that the majority of items retained in storage are either scheduled to be deployed under active programs, or necessary emergency spares no longer available from existing contracts or the open market. Although 3.6 million dollars of inventory sounds like a considerable sum, this does not represent a large number of individual line items considering the high cost of IT equipment. Specific item counts are addressed in the attachment.

The advisory concluded that there was no master inventory and insufficient accountability controls over the equipment. It also suggested there was potential for loss of equipment. Although all capital property at the warehouse was included on the postal service personal property accounting system (PPAS) inventory, expense items were not included. To establish a comprehensive warehouse inventory, we conducted a wall-to-wall inventory during February 2003. Additionally, to address the accountability and potential loss issues, we recently published a warehouse standard operating procedure (SOP) mandating quarterly visits by IT local managers to verify the need for retention of equipment in storage. The SOP also establishes controls for material entering and leaving storage. Adherence to the SOP will address the accountability and potential loss issues. A copy of the SOP is provided as an attachment.

We appreciate the assistance of the OIG in pointing out some areas of our warehouse operation which needed improvement. The draft advisory prompted us to dispose of excess material to the extent feasible, and reassess accountability and control issues. If you have questions or need additional information, please contact James L. Smith, Raleigh MSSC Manager, at 919-501-9082.

A handwritten signature in cursive script that reads "Robert L. Otto".

Robert L. Otto

Attachments

475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-1500
202-268-6900
Fax: 202-268-4492
rotto@email.usps.com
www.usps.com

**Warehousing of New and Used Computer Equipment in
Raleigh, North Carolina**

OE-MA-03-004

cc: Richard J. Strasser, Jr.
Keith Strange
Susan M. Duchek
Kim H. Stroud
T. Wayne Grimes
Samuel S. Schmidt
Larry K. Wills

Attachment 1: Response to OIG Draft Management Advisory of 2/7/03 – Warehousing of New and Used Computer Equipment in Raleigh, NC

Provided below are specific responses to the recommendations in the subject report.

Recommendation Number 1: Ensure program managers routinely review equipment housed in the warehouse and that unneeded equipment is redistributed, sold, or excessed in a timely manner.

Response: Information Technology management agrees with this recommendation. The recently published warehouse standard operating procedure (SOP), published 1/28/03, mandates quarterly visits by program managers to review assets stored in the warehouse. Adherence to the SOP will ensure unneeded equipment is disposed of in a timely manner. The warehouse SOP is included as an attachment to this response.

Recommendation Number 2: Develop appropriate inventory and complete accountability controls to ensure proper management of equipment, and reduce the risk of loss or theft.

Response: Information Technology management agrees with this recommendation. A wall-to-wall inventory to establish a baseline was just completed on 2/14/03. The warehouse SOP mentioned above puts in place strict controls to manage movement of equipment to/from the warehouse.

Detailed responses to each observation and condition of your warehouse advisory are provided below.

CONDITIONS AND SITE OBSERVATIONS (AS OF MAY 2002)

Finding: Warehouse approximately 80% full of new and used high-end and time-sensitive computer equipment.

Response: The equipment stored is necessary emergency spares that are no longer available through open market or established contracts. The warehouse is approximately 40% full of equipment to support IT programs. This equates to approximately 17,000 square feet of space utilized for storage. Specific item counts are addressed in response to other findings.

Finding: Original intent of warehouse was to stage equipment for deployment and replacement, as well as consolidation of IT facilities in Raleigh, North Carolina.

Response: The above statement is accurate and that function continues. The warehouse is also being used to stage property and equipment associated with the consolidation of IT facilities in Raleigh. Property and equipment for the Green Road site is being temporarily staged pending redistribution/disposal.

Finding: Acquisition value of property in the warehouse was estimated by the Postal Service to be over \$5 million.

Response: The current acquisition value of the property in the warehouse is approximately 3.6 million dollars based on the recent wall-to-wall inventory.

Finding: Equipment for at least 14 major programs was held in the warehouse (for example CCM, AOI, SAMS, POS One, DMS).

Response: We are only warehousing equipment not currently available from open market sources or vendors, but still required as emergency spares. We are not warehousing any equipment for inactive programs.

Attachment 1: Response to OIG Draft Management Advisory of 2/7/03 – Warehousing of New and Used Computer Equipment in Raleigh, NC

Finding: We observed unopened equipment purchased as early as 1998, including uninterruptible power supply units, laser printers, workstations, monitors, and servers.

Response: The only “new in the box” equipment purchased as early as 1998 is HP Laser Printers and Compaq 15” monitors. There are currently 62 printers and 32 monitors that were purchased in 1998. These printers and monitors are being shipped to field sites and will be out of the warehouse by March 31, 2003. There are no new workstations currently stored in the warehouse (down from 47 in October).

Finding: No master inventory list and insufficient inventory controls.

Response: We have a complete and current inventory of all warehouse equipment. To maintain control of the inventory, a warehouse standard operating procedure (SOP) was published to all managers on 1/28/03. The new SOP was designed specifically to improve inventory control and accountability. A copy of the SOP is included with this response.

Finding: We found collectively, hundreds of high-end servers, workstations, laser printers, and new monitors.

Response: 18 new servers (down from 109 in October) are warehoused, with 4 designated for WEB/EOR, 5 for security, 3 for HBIDS, 2 for VMAS, and 4 for SAMS. There are also 110 used servers in the warehouse. Most of these used servers are actively supporting projects. Approximately 25% are excess/obsolete pending disposal. The remaining 62 laser printers are currently being shipped to field sites. There are no new monitors warehoused.

Finding: We found high-end used computer systems (Geotel Virtual Routers, Cisco Routers, Robotic Tape Systems, Wrightline computer racks).

Response: There are no Geotel Routers in the warehouse. There are 18 Cisco Routers awaiting deployment to field sites. The Robotic Tape System (Wolf Creek Silo) was declared excess by the Disaster Recovery Center (DRC) Manager. The Robotic Tape System was disposed of by sale to a local computer recycler. The Wrightline computer racks have been sold.

Finding: We found hundreds of used personal computers.

Response: There are currently 194 used PCs (down from 488 in October) in the warehouse. Of these, 175 are currently operating at the warehouse in support of active programs i.e., POS, VSAT, Times, Postal One, BARS, SAMS, TACS, etc. and 19 are for disaster recovery. There are also 102 excess PCs pending disposal. The majority of the excess PCs were recently displaced by the deployment of ACE equipment at the NISSC. With the deployment of ACE, we no longer offer/ship excess PCs to other postal activities. In FY 2002 we disposed of 1,540 PCs, monitors, and printers. This includes 665 transfers, 407 donations, and 468 items sold to recyclers.

Finding: We found large quantity of Uninterruptible Power Supplies (UPS).

Response: All the portable UPSs have been deployed to 4110 Wake Forest Road or to other field sites. Most of these UPSs were purchased as part of the original equipment buy for the AVS site.

Attachment 2

Raleigh Warehouse Standard Operating Procedures:
Warehouse Hours of Operation: 8:30AM – 4:30PM M-F

Overview: The NISSC warehouse at 1821 Capital Boulevard is leased for the equipment storage needs of the various Information Technology activities domiciled in Raleigh. The purpose of the warehouse is to provide temporary storage for computer equipment ordered for our use, temporary storage for new IT programs that we actively support, and longer term storage for equipment needed as field spares.

Situation: In response to a recent review of our warehouse operation by the Office of the Inspector General (OIG), we need to implement tighter controls for the storage of IT assets. Effective immediately (1/28/03), the following procedures are implemented for the NISSC warehouse:

- No property will be taken to the warehouse for storage without written approval from the PCES manager of the requesting organization and notification to MSSC Material Accountability Officers. Either Jimmy Smith, Betty Rank or Gail Barker must be notified prior to storing equipment in the warehouse. This will insure that warehouse inventory records remain accurate, and that capital property records are adjusted in a timely manner. Warehouse security will no longer allow equipment to be placed in the warehouse without the concurrence of one of the MAOs. All equipment placed into storage will be labeled with the department name, contact person, date placed into storage, and disposal date if appropriate.
- For property being removed from the warehouse, the capital equipment inventory sheets must be properly completed. This inventory sheet is maintained at the security guard's desk. Proper completion of this form is necessary to maintain an accurate warehouse inventory. These inventory sheets will be reviewed and processed weekly by one of the Material Accountability Officers.
- The OIG was critical of our long term storage of equipment with no deployment plans. To prevent long term storage of obsolete or excess equipment, there will be quarterly tours of the warehouse by NISSC departmental managers. The stated purpose of these visits is to identify equipment for excessing, disposal and reconciliation of inventory issues. We will begin these warehouse visits in March 2003, and continue them quarterly thereafter. One of the abovementioned MAOs will contact each manager to schedule the quarterly visit.
- The quarterly visits will be documented to include attendees, action needed, and suspense dates for action items. These notes will be retained and reviewed during subsequent warehouse visits to ensure action items are completed.

This standard operating procedure (SOP) will be prominently posted on the bulletin board in the warehouse. Adherence to these procedures will insure accountability and control of IT assets, and help maintain an efficient warehouse operation.