



DEPARTMENT OF THE NAVY  
OFFICE OF NAVAL RESEARCH  
CHICAGO REGIONAL OFFICE  
JOHN C. KLUCZYNSKI FEDERAL BUILDING  
230 SOUTH DEARBORN STREET SUITE 380  
CHICAGO IL 60604-1595

IN REPLY REFER TO  
ONRCHI/AHC  
SSIC# 4330  
Ser# 245/021 mich  
19 August 2003

Ms Kelly Dube  
Plant Fund Accountant  
Michigan Technological University  
224 Administration Building  
1400 Townsend Drive  
Houghton, Michigan 49931-1295

Dear Ms Dube:

The Office of Naval Research, Chicago Regional Office, has performed a Special Limited Property Control System Analysis (PCSA) of **The Michigan Technological University (MTU)** property control system. The PCSA, conducted during the period **13 August 2003 to 19 August 2003**, was performed within the guidance of DOD Manual 4161.2-M, dated December 1991 and guidance provided by the Systems Review Branch, Office of Naval Research. The objective of the PCSA was to ascertain the ability of the MTU property control system to protect, preserve, account for, and control Government owned property. The PCSA included such tests and analysis of the internal management controls and policies as were deemed necessary for the purposes of a limited review.

During the FY 2003 limited analysis, the Property Administrator reviewed six functional areas to determine whether the University is in compliance with Federal regulations for maintaining, preserving, tracking and reporting Government-owned property accountable to the Institution. The six functional areas reviewed during the analysis were property management, reporting, disposition, records, physical inventory and property closeout. With the exception of an incident involving property management, all functional areas were considered adequate for maintaining, preserving and protecting Government property. See Attachment 1 entitled "Recommendations."

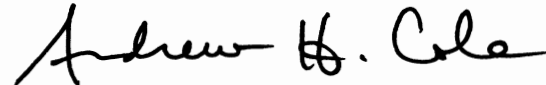
Currently, the value of Government property accountable under awards administered by the Office of Naval Research (ONR) exceeds the threshold for an onsite PCSA (currently \$1,000,000.00). However, due to the nature of the equipment, a special Limited review was conducted. An onsite PSCA would review all 15 functional areas listed in DOD Manual 4161.2-M, dated December 1991. These areas are Property Management, Acquisition, Receiving, Identification, Records, Movement, Storage, Physical Inventories, Reports, Consumption, Utilization, Maintenance, Subcontractor Control, Disposition, and Property Closeout.

This review disclosed that the University submitted annual property reports accurately, and in a timely manner. The University's written property control procedures are very good. In addition, the University is considered current on all property related issues under expired awards. With the exception of the observation noted above, in the judgment of the

Administrative Contracting Officer, the Michigan Technological University property control system is adequate to protect, preserve, account for, and control Government owned property. **The next scheduled PCSA for the Michigan Technological University is March 2004.**

If there are any questions pertaining to the above, please contact the undersigned at (312) 886-2363.

Sincerely,

A handwritten signature in black ink that reads "Andrew H. Cole". The signature is written in a cursive style with a large initial 'A' and a distinct 'H'.

ANDREW H. COLE  
Administrative Contracting Officer

## **Attachment 1**

### **Recommendations**

#### **Recommendation No. 03-1 Property Management**

On award DAAE07-00-C-L052, a piece of Government Furnished Property was transferred from MTU to a Government facility without the notification of the ACO. While the transfer was ordered by Government personnel, they were not Contracting Officers and thereby authorized to bind the Government. Since I believe the transfer was done in good faith on the part of MTU [See FAR 45.503(a)(4)] and the equipment has been located, there is no finding. However, the University did not receive copies of shipping documents at the time of shipment or a complete DD Form 1149 with the signature of the receiving official upon delivery. Also, since the piece was originally transferred to DAAE07-00-C-L052 for use under the contract, when it was no longer was needed for the contract, MTU failed to report it to ONR Chicago as excess.

#### **Corrective Action**

Since this is not a finding, no corrective action is required. However, MTU should consider adding a section to their property procedures entitled, "Movement." DOD Manual 4161.2-M Chapter 3(l)(1)(a) states, "Movement must be controlled through some type of documentation so that records may be updated to show changes to quantities and location."