Daniel Evon  
Director, Contracts and Grants Administration  
Michigan State University  
426 Auditorium Road, Room 2  
East Lansing, MI 48824-1046

Dear Mr. Evon,

The Office of Naval Research, Chicago has performed an On-Site Property Control System Analysis (PCSA) Review of Michigan State University's property control system. The PCSA, conducted on 05/19/2016 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 Michigan State University's property control system to protect, preserve, account for and control Government-owned property in their 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 Michigan State University as of 05/19/2016 is $2,188,299.45. The property is distributed as follows:

<table>
<thead>
<tr>
<th>DOD</th>
<th>NASA</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,188,299.45</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

The previous PCSA was conducted on 09/25/2014. As a result of this review, the institution was notified of the following findings. Property manual - no reference on outcome of subcontractor control, no reference in the university's self-assessment and physical inventory the university should inventory all government property. December 2014, the Michigan State University corrected the identified deficiencies and the findings are considered closed.

An A-133 audit was recently conducted which addressed the institution's overall property control system. The audit did not identify any findings related to the control of government titled property.
The Michigan State University Property Policies and Procedures have been reviewed for completeness and have been found to be acceptable.

The Michigan State University recently performed a physical inventory. The inventory was performed in accordance with their approved policies and procedures. There were no deficiencies identified during the physical inventory.

It is recommended that Michigan State University improve their process of identifying equipment that is not being utilized and request disposition instructions.

For the last property reporting period the Michigan State University submitted all 1 Annual Property Reports in a timely manner. The Annual Reports that were submitted for this period contained accurate information.

Based upon the results of this PCSA and in the judgment of the Property Administrator, the property control system at the Michigan State University is compliant to protect, preserve, account for and control Government owned property.

Thank you for your assistance in this matter. If you have any questions, please contact me at (312) 886-2167.

DILDREE F. IVERY
Administrative Contracting Officer

Copy to:
Mr. R. Gurr, ONRSanDiego
Ms. G. Jordan, ONRCHI
File
PROPERTY CONTROL SYSTEMS ANALYSIS (PCSA) AT MICHIGAN STATE UNIVERSITY MAY 19, 2016

Conducted by:
DILDREE F. IVERY
Administrative Contracting Officer

For Official Use Only
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTRODUCTION</td>
<td>2</td>
</tr>
<tr>
<td>SCOPE AND OBJECTIVES</td>
<td>2</td>
</tr>
<tr>
<td>SUMMARY RESULTS OF PCSA</td>
<td>3</td>
</tr>
<tr>
<td>INSITUTIONS PCS SELF-ASSESSMENT</td>
<td>3</td>
</tr>
<tr>
<td>PRIOR PCSA AND CORRECTIVE ACTIONS</td>
<td>3</td>
</tr>
<tr>
<td>OBSERVATIONS AND RECOMMENDATIONS</td>
<td>4</td>
</tr>
<tr>
<td>CURRENT FINDINGS</td>
<td>4</td>
</tr>
</tbody>
</table>
INTRODUCTION

The Office of Naval Research (ONR) Chicago Regional Office performed a Property Control Systems Analysis (PCSA) at Michigan State University located in East Lansing, Michigan during the time period of 19 May 2016 - 20 May 2016. 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 Michigan State University and physically inspecting items of Government-owned property. The review also consisted of discussing policies and procedures 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), created by the ONR Engineering and Systems Review Branch. Revisions to FAR Part 45 and the applicable property clauses in May 2007 now evaluate an Institution’s Property Control System by reviewing Process Outcomes by which an Institution achieves the best value for the Government.

SCOPE AND OBJECTIVES

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

As of 12 April 2016, Michigan State University reported one (1) DoD award with items of Government-owned property valued at $2,188,299.45 accountable under their property control system. As such, all fifty six (56) items of Government-owned property were selected for testing. On May 19, 2016, all items physical located on the University property were found.

Selected items of equipment recently acquired by the University were tested with no errors being found. In addition, all items those were selected prior to the physical sighting process are verified within the university’s property records and tested for accuracy and adequacy.
SUMMARY OF SYSTEM ANALYSIS RESULTS

Based on the results of this review, the Property Control System at Michigan State 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

Michigan State University has implemented and developed a written procedure/policy required by the FAR 52.245-1(b)(4) to conduct a Self-Assessment of its Property Control System as required by the FAR.

PRIOR FINDINGS AND CORRECTIVE ACTIONS

During the prior two Fiscal Years; one On-site and one Limited PCSA reviews, Fiscal Years 2012 and 2014, the following recommendations stated were upgraded into Findings in September 2014.

Finding 12:1 – Property Manual –
No references in the University’s policy/procedures of Outcome of Subcontractor Control.

Finding 12:2 – Institutional Self-Assessment –
No references in the University’s policy that defines Self-Assessment.

Recommendation 12:3 – Physical Inventory Results –
University should provide physical inventory of all government property located at the university.

As of December 2014 the University submitted in their corrective action plan and all findings/recommendations has been resolved and closed.

Prior Year A-133 audits did not have any findings related to property management.
OBSERVATIONS AND RECOMMENDATIONS

The following observations are noteworthy as they reflect the character of the current on-site review and as indicators of possible future system deficiencies. They either are not systemic conditions and therefore are not considered findings due to their isolated nature or are provided as recommendations for continued improvement.

During the course of the review of item #513516 - TA Refrigerated Colling System was in place but not being utilized. I recommend that the University start the process of getting the disposition off the records.

As the writing of this report, the University has submitted and request property disposition action on the one item #513516 not being used.

It is recommended that Michigan State University improve their process of identifying equipment that is not being utilized and request disposition instructions.

CURRENT FINDINGS

There is no findings to disclose as a result of this on site PCSA review.