

Board of Governors of the Federal Reserve System

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# The Board Should More Effectively Manage and Secure Its Inventory of Unassigned Laptops and Hard Drives Ready for Disposal



**Office of Inspector General**

Board of Governors of the Federal Reserve System  
Consumer Financial Protection Bureau



Executive Summary, 2026-FMIC-B-005, March 30, 2026

## The Board Should More Effectively Manage and Secure Its Inventory of Unassigned Laptops and Hard Drives Ready for Disposal

### Findings

The Board's inventory of unassigned laptops and hard drives ready for disposal is not centrally managed. The Division of Information Technology provides these services to itself and two other Board divisions. Eight divisions manage laptop and hard drive inventory for the remaining 11 Board divisions, which we refer to as *custodial divisions*. The Board does not effectively manage its inventory of (1) laptops that are unassigned or returned by departing employees and (2) hard drives ready for disposal. Some unassigned laptops are also not consistently tracked or accounted for, and some assigned laptops are not returned by departing employees. The Board does not have standardized expectations for managing its IT inventory, as recommended by the U.S. Government Accountability Office. We also found that custodial divisions do not adequately (1) secure unassigned laptops and hard drives ready for disposal or separate unassigned laptops by life cycle stage or (2) track or timely dispose of hard drives ready for disposal. In the absence of standard IT inventory management expectations, custodial divisions developed their own practices, often not aligned with leading practices.

Additionally, in June 2025, one custodial division purchased, but did not properly inventory, 677 new laptops at a cost of \$1.447 million. After we identified the laptops, the division told us that it decided not to deploy these assets while transitioning its IT management responsibilities to the Division of IT. The 677 laptops were unopened in their original shipping boxes and in storage for 8 months, which we identify as an inefficient allocation of resources and \$1.447 million in funds that could be put to better use. The unopened laptops were stored in a secure room with limited access but were not inventoried, resulting in a significant risk of theft or loss. In March 2026, the division inventoried the 677 laptops.

### Recommendations

Our report contains seven recommendations designed to ensure that the Board implements a standardized approach to inventory management practices consistent with leading practices for (1) laptops that are unassigned or returned by departing employees and (2) hard drives ready for disposal. In its response to our draft report, the Board concurs with our findings and recommendations and outlines planned actions to address those recommendations. We will follow up to ensure that the recommendations are fully addressed.

### Purpose

We conducted this audit to assess the effectiveness of the Board's processes for managing its inventory of laptops and hard drives ready for disposal. To do so, we assessed whether the Board divisions' day-to-day operational processes align with internal procedures and leading practices for (1) tracking and securing unassigned laptops and hard drives ready for disposal and (2) removing hard drives. We also assessed the Division of IT's and the Division of Management and Financial Services' compliance with their policies for disposing of hard drives and laptop shells, respectively. Our audit covered September 1, 2024–August 31, 2025, for the following IT hardware in Board division custody: (1) new, returned, and pending disposal laptops not assigned to Board employees; (2) laptops returned by departing employees; and (3) hard drives ready for disposal.

### Background

For the divisions it manages, the Division of IT established processes that incorporate leading practices for (1) tracking and securing unassigned laptops and hard drives ready for disposal and (2) removing hard drives. The Division of IT established limited guidance for custodial divisions on inventorying laptops and disposing of hard drives.



Recommendations, 2026-FMIC-B-005, March 30, 2026

## The Board Should More Effectively Manage and Secure Its Inventory of Unassigned Laptops and Hard Drives Ready for Disposal

### Finding 1: Some Board Laptops Are Not Consistently Tracked and Accounted For

Number	Recommendation	Responsible office
1	Implement standardized expectations to ensure that the Board recovers laptops from all departing employees, including options for potential consequences for failure to return a laptop.	Division of Information Technology, Office of the Chief Operating Officer, Division of Management and Financial Services
2	Coordinate with the responsible custodial division to ensure that the 677 laptops that were outside of the division’s inventory system from June 2025 to March 2026, worth \$1.447 million, are issued to Board staff so that the funds spent on laptops are put to better use.	Division of Information Technology

### Finding 2: The Board Does Not Have a Standardized Process for Managing Its Inventory of Unassigned Laptops and Hard Drives Ready for Disposal

Number	Recommendation	Responsible office
3	Establish standard, enterprisewide expectations for managing the Board’s inventory of unassigned laptops and hard drives ready for disposal. Such standardized expectations should incorporate leading practices and include inventorying, tracking, assessing missing, securing, and organizing unassigned laptops and hard drives ready for disposal, as well as time frames for tagging, inventorying, and disposing of hard drives.	Division of Information Technology, Office of the Chief Operating Officer
4	Develop a monitoring program that <ul style="list-style-type: none"> <li>a. requires custodial divisions to report division-level laptop inventory information using the Board’s IT inventory management system.</li> <li>b. includes procedures for the Division of IT to ensure that custodial divisions follow the standard, enterprisewide expectations.</li> </ul>	Division of Information Technology, Office of the Chief Operating Officer
5	Develop and implement training for custodial divisions on the standard, enterprisewide expectations.	Division of Information Technology
6	Determine and clarify in the Board’s <i>Delegations of Administrative Authority</i> who has the oversight responsibility to manage IT equipment purchased by the divisions.	Office of the Chief Operating Officer

### Finding 3: Some Custodial Divisions Do Not Adequately Secure Unassigned Laptops and Hard Drives Pending Disposal or Separate Laptops by Life Cycle Stage

Number	Recommendation	Responsible office
7	Establish and implement a process to visually confirm that hard drives are removed before surplussing the laptop shells.	Division of Management and Financial Services

**Finding 4: Some Custodial Divisions Do Not Adequately Track or Timely Dispose of Hard Drives Ready for Disposal**

Number	Recommendation	Responsible office
	No recommendations.	



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# Introduction

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## Objective

We assessed the effectiveness of the Board’s processes for managing its inventory of laptops and hard drives ready for disposal. To do so, we assessed whether the Board divisions’ day-to-day operational processes align with internal procedures and leading practices for (1) tracking and securing unassigned laptops and hard drives ready for disposal and (2) removing hard drives. In addition, we assessed the Division of Information Technology’s and the Division of Management and Financial Services’ (MFS) compliance with their policies for disposing of hard drives and laptop shells, respectively.<sup>1</sup> We also assessed whether departing employees have consistently returned their laptops.

As part of our audit, we compared the Board’s day-to-day operational processes for managing its unassigned laptops against leading practices identified from the U.S. General Services Administration (GSA) and the National Institute of Standards and Technology (NIST). We are reporting following our scoping activities, because we identified a series of findings during scoping related to the Board’s approach to inventorying unassigned laptops and hard drives ready for disposal.

For the Division of IT’s and MFS’s compliance with Board policies for disposing of hard drives and laptop shells, we determined that these controls were effectively designed. Our audit covered September 1, 2024–August 31, 2025, for the following IT hardware in Board division custody: (1) new, returned, and pending disposal laptops not assigned to Board employees; (2) laptops returned by departing employees; and (3) hard drives that were ready for disposal. Appendix A provides additional details about our scope and methodology.

## Background

The Board does not centrally manage its inventory of unassigned laptops, laptops returned by departing employees, and hard drives ready for disposal. The Division of IT manages this inventory for itself and two other divisions.<sup>2</sup> The remaining 11 Board divisions either manage their own inventories or partner with another division to do so. In total, 8 divisions manage the custody of unassigned laptops, laptops returned by departing employees, and hard drives ready for disposal; we refer to these divisions as *custodial divisions*.

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<sup>1</sup> In December 2025, following the end of our audit scope period, the Board combined the Division of Financial Management and the Division of Management into the Division of Management and Financial Services (MFS), which—along with the Division of IT—is overseen by the chief operating officer. This report uses the updated name, MFS.

<sup>2</sup> In addition to the two other divisions it manages, the Division of IT provides support services for the OIG. The description of Board divisions excludes the OIG.

## ***Enterprisewide Policies, Guidance, and Reporting Mechanisms***

The Division of IT has established some enterprisewide procedures on inventory management to include the following:

- **Board Information System Inventory Standard.** This standard requires custodial divisions to maintain an inventory of information systems, including laptops.<sup>3</sup> The inventory must be reviewed annually, and updates to the inventory must be made within 10 business days of a change.
- **Media Disposal and Sanitization Standard.** This standard establishes that custodial divisions remove hard drives and send them to the Division of IT for disposal.
- **Procedures for Electronic Media Disposal.** The procedures establish the process for (1) custodial divisions to request hard drive disposal from the Division of IT, (2) the Division of IT to fulfill the request, and (3) the use of an external contractor to dispose of the hard drives. Through this process, custodial divisions must affix a Division of IT–provided media disposal tag to each hard drive ready for disposal, inventory the hard drives ready for disposal using an Information Sanitization form, and submit the completed Information Sanitization form to the Division of IT to initiate the hard drive disposal process.
- **Device and Document Loss Notification Report.** The report functions as a portal for custodial divisions or employees to report lost laptops.

## ***Leading Practices for (1) Tracking and Securing Unassigned Laptops and Hard Drives Ready for Disposal and (2) Removing Hard Drives***

GSA and NIST provide IT asset management guidance to federal agencies. In this guidance, GSA and NIST provide leading practices for (1) tracking and securing unassigned laptops and hard drives ready for disposal and (2) removing hard drives. We analyzed this guidance and identified the following leading practices:

### **Tracking Laptops and Hard Drives Ready for Disposal**

- Keep inventory data in a centralized database to the greatest extent possible.
- Keep inventory data up to date and assign unique identifiers to hardware, including laptops and hard drives ready for disposal.
- Update inventory information for laptops and hard drives ready for disposal when they change location and custody.
- Inventory assets, such as laptops, at least once every 3 years.

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<sup>3</sup> Information systems may be commercial off-the-shelf or internally developed applications.

## Securing Laptops and Hard Drives Ready for Disposal

- Develop storage methods to easily locate and identify laptops and hard drives ready for disposal.
- Secure laptops and hard drives ready for disposal in a controlled space.
- Use an automated mechanism that can log access, such as a badge reader, to secure storage rooms.

## Removing Hard Drives

- Document who removed the hard drive and the date and time of the removal.
- Verify that the hard drive has been removed before disposing a laptop.

## ***Overview of Division of IT Processes That Incorporate Leading Practices***

The Division of IT has established processes that incorporate the GSA and NIST leading practices for the laptops and hard drives ready for disposal in its custody. Specifically, the Division of IT does the following:

- Updates inventory records at the same time that the laptop changes location of custody.
- Tags new laptops within 1 week of receiving them.
- Tags hard drives with a media disposal sticker that includes a number and scannable barcode.
- Uses a centralized Board application to track all inventory, including laptops and hard drives ready for disposal.
- Inventories unassigned laptops annually.
- Designates laptop storage rooms by life cycle stage—one storage room each for (1) laptops with hard drives, (2) laptop shells without hard drives, and (3) removing and storing hard drives ready for disposal.
- Secures all storage rooms with a badge reader.
- Removes only five hard drives at a time to ensure accuracy.
- Stores laptop shells with the back removed, allowing for a visual confirmation that the hard drive has been removed.
- Requires staff removing a hard drive to mark laptop shells with their initials and date of the removal.

## ***Life Cycle Stage of Board Laptops and Hard Drives Ready for Disposal***

Custodial divisions and the Division of IT manage laptops, including hard drives, throughout the following life cycle stages:

- New laptops yet to be tagged or updated in the division's inventory records.
- Tagged laptops—either new or returned devices that are under warranty—awaiting assignment or assigned to users.<sup>4</sup>
- Tagged laptops that have been identified for disposal (expired warranty, broken).
- Tagged hard drives that have been removed from laptops identified for disposal.
- Laptop shells with the hard drives removed awaiting surplussing.

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<sup>4</sup> Our audit did not review tagged laptops assigned to active employees.



# Finding 1: Some Board Laptops Are Not Consistently Tracked and Accounted For

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The Board does not consistently inventory, track, or account for its laptops that are unassigned or returned by departing Board employees. Board policy and leading practices suggest that agencies should have an enterprisewide inventory management system that is regularly updated. Further, internal control standards state that agencies should recover missing assets. The Board has not established standard, enterprisewide expectations for how divisions should track unassigned laptops and attempt to recover missing laptops. In the absence of such standardized expectations, the Board cannot easily track and manage its laptops, which increases the risk that missing laptops will not be identified and Board data may be exfiltrated.

## Some Custodial Divisions Do Not Consistently Track Unassigned Laptops

Some custodial divisions do not track unassigned laptops in accordance with the Division of IT's enterprisewide guidance or leading practices, resulting in unreliable inventory data. Some custodial divisions (1) use different inventory management systems to track their laptop inventory instead of the Division of IT's centralized inventory management system, (2) do not ensure timely tagging of new laptops, and (3) do not consistently inventory unassigned laptops.

- **Inventory Management Systems.** The Board has a centralized enterprisewide inventory system managed by the Division of IT; however, not all custodial divisions use it. Custodial divisions use a mix of the following systems: the Division of IT centralized inventory management system, a web-based platform, a digital note-taking application, a storage location on the division's network, and an inventory management system created by a custodial division. These systems do not interact with one another and do not collect standardized data to track unassigned inventory. The operation of various inventory systems prevents the Board from establishing agency-level management information and reporting about its inventory. These limitations prevent periodic measuring or monitoring of its inventory.
- **Timely Tagging.** Custodial divisions allow between 24 hours and 1 month to tag new laptops using unique identifiers. One of the eight custodial divisions does not specify a time frame in which the laptops must be tagged and allows for the process to remain open until completion. According to a division representative, tagging of a typical order of 400 or 800 laptops can take up to 1.5 months if that division has other work priorities, such as providing customer support to that division's employees.

We found that the custodial division that does not have a required time frame to tag laptops has 800 newly purchased laptops that have not been entered into its inventory since they were purchased in June 2025 (figure 1). At that time, the division obtained the 800 laptops to replace existing laptops for 676 employees. We observed that the custodial division did not have accurate inventory records differentiating tagged and untagged laptops. Before our inventory of these

laptops, the custodial division told us that it had left 650 laptops untagged. In February 2026, we counted the unopened laptops in the storage room and found the actual number of laptops that had been tagged was 123, of which 32 had been deployed, and that 677 remained unopened in shipping boxes.

After we identified the laptops, the division representative stated that management had decided not to deploy the devices while the division began migrating its IT infrastructure responsibilities to the Division of IT in September 2025. Another division representative stated that the division intends to finish deploying the laptops once the migration to the Division of IT is complete. This decision has left the remaining 677 laptops—worth \$1.447 million—untagged and unassigned to users. Therefore, as of February 2026, the custodial division had stored for 8 months a large inventory of unassigned and unused laptops in their original shipping boxes, which we identify as an inefficient allocation of resources. In addition, although the unopened laptops had been stored in a secure room with limited access, because the laptops were not inventoried, there was a significant risk of theft or loss of these assets.<sup>5</sup>

**Figure 1. Photograph of the 677 New Untagged Laptops in a Storage Room Secured by a Key Code**



Source: OIG.

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<sup>5</sup> Following our fieldwork, the custodial division completed inventorying the 677 laptops. See the “Management Actions Taken After Fieldwork” section at the end of this finding for information on their additional actions.

- **Inventory Updates:** Six of the eight custodial divisions reported inventorying unassigned laptops at least annually. For the remaining two custodial divisions, one does not routinely inventory unassigned laptops and the other custodial division—which manages laptops for approximately 20 percent of Board employees (676 employees)—does not follow its process to conduct routine inventories and inconsistently updates its laptop inventory information (see Observation Highlight sidebar).

#### OBSERVATION HIGHLIGHT

One custodial division does not consistently update its inventory data. A representative from this division stated that the division does not (1) follow its informal processes to conduct routine inventories of tagged devices or (2) conduct full inventories of its storage areas.

The representative further stated that the division does not always update inventory records at the same time that it reassigns custody of a device to a new user.

The Division of IT’s *Board Information System Inventory Standard* requires custodial divisions to (1) use a valid information system inventory that can be either a commercially available off-the-shelf product or internally developed application, (2) review all items in the laptop inventory annually, and (3) ensure updates to the inventory system are made within 10 business days of a change. Further, as a leading practice, agencies should (1) have an asset management system that is enterprisewide to the greatest extent practicable; (2) have up-to-date inventory data that includes unique identifiers for hardware, including laptops; (3) update laptop inventory information when they change location and custody; and (4) regularly inventory assets, such as laptops, at least once every 3 years.

The Division of IT does not (1) require custodial divisions to use its centralized inventory management system, (2) provide custodial divisions with comprehensive guidance on tracking unassigned laptops, or (3) oversee the division inventory processes to ensure they comply with the enterprisewide guidance to maintain an inventory of their IT assets. According to a Division of IT representative, the decentralized management of laptops and hard drives evolved from each division’s ability to purchase IT equipment without consulting the chief information officer (CIO). Some custodial division representatives stated that staff availability affected those divisions’ ability to tag new laptops and maintain updated inventory data.

In the absence of standard, enterprisewide expectations that include leading practices, some custodial divisions have adopted processes that have resulted in unreliable laptop inventory data. By not having a centralized database and standardized inventory practices, the Board cannot easily track and manage its laptops, including identifying missing laptops. As a result, the Board may purchase equipment that it does not need or use.

## Some Custodial Divisions Cannot Account for All Their Laptops

Some custodial divisions could not account for all their unassigned laptops. Two of the eight custodial divisions identified seven unassigned laptops as missing from storage rooms in their inventory data. Three of these seven laptops were reported as missing during the scope of our review. In addition, one of these laptops went missing in 2019 but was not reported in the Board’s Device and Document Loss Report

portal as missing until January 2026.<sup>6</sup> We were unable to identify how many laptops are actually missing because of the data quality of the custodial division's inventory data as described earlier in this finding.

Internal control standards state that an internal control system should provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity's assets. In instances of lost laptops, NIST states that agencies should assess the sensitivity of data on the laptop and have methods to remotely wipe the devices to prevent further data loss.

While the Division of IT has an enterprisewide process to report missing laptops, the Board does not have standardized expectations to ensure that divisions are identifying and promptly reporting missing and unaccounted-for laptops. A representative from the custodial division that did not report the missing laptop from 2019 until 2026 stated that the division followed its process to remove the laptop from its inventory at the time of the loss but did not submit the report, as required. In addition, a representative from a custodial division stated that it did not have a process to recover missing items from its storage areas. A representative from another custodial division stated that laptops could be misplaced during transfers of custody, including when coordinating warranty repairs with a vendor through the Division of IT. Recovering missing laptops and removing and shredding the hard drives is the only way to ensure that sensitive Board data stored on the drives is not exfiltrated.

## Departing Board Employees Do Not Always Return Their Board-Issued Laptops

Some Board employees did not return their assigned laptops before departing the agency. We identified five laptops, three of which are managed by the Division of IT, that are still in the custody of former Board employees. The Division of IT attempted to recover the three laptops it manages by contacting the former employees and sending them boxes to ship the equipment back, but ultimately reported the laptops as missing after these recovery attempts were not successful. The remaining two laptops are assigned to former employees in a custodial division. This custodial division has 100 total laptops that are assigned—2 to former employees and 98 to current employees—and encrypted but have not connected to the Board's network in at least 90 days. According to a custodial division representative, the division is tracking the status of these laptops in its inventory management system and plans to begin an effort to collect the 100 laptops in March 2026. The custodial representative stated that those laptops have not been classified as missing because the division believes that the employees assigned the devices (1) did not turn them in when they received a new laptop and (2) still have them in their custody.

In addition to our observed instances of the failure to return laptops by departing Board employees, three of the eight custodial divisions told us that recovering laptops from employees who leave the Board is a challenge. One of these three custodial divisions estimated that it fails to recover one to two laptops a year from departing employees. Further, two divisions, including the Division of IT, have established processes to recover laptops from former employees, including contacting the employee for returns, sending boxes to ship the equipment back, and having the employee's manager conduct additional outreach. After 2–4 weeks of unsuccessful recovery attempts, the manager submits the Board's Device

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<sup>6</sup> As a result of our audit, the custodial division reported the lost laptop from 2019 in the Board's Device and Document Loss Report portal in January 2026.

and Document Loss Form, and the laptops are written off as missing. There are no additional attempts to recover the device, nor are there any consequences for departing employees, such as wage garnishment or a loss of benefits, for not returning a Board-owned laptop. A division representative stated that the potential for data loss is minimized because accounts are disabled and data is encrypted. However, even with a disabled user account, a user can still access files saved to that laptop.

Internal control standards state that effective operations produce the intended results and that management should revise the internal control system timely, when necessary, to maintain its effectiveness. However, the Division of IT and custodial divisions rely on a process that has proven to be ineffective. Former employees are not always responding to follow-up efforts, and the Board continues to write off lost laptops rather than take further steps to retrieve them or implement consequences for the former employees.

One custodial division representative noted that the issue of laptops not being returned was improving after employees returned to the office post-COVID and reliance on shipping laptops decreased. This representative further stated that they viewed the main risk associated with these devices as loss of the value of the laptop and not data loss, as the laptop data is encrypted and the division disables a user's access when the employee leaves the Board. However, as noted above, even with a disabled user account, a user can still access files saved to that laptop. As a result, by not recovering the laptop, there is a risk that sensitive Board data will be compromised because (1) the employee still has access to files saved to the laptop's desktop and (2) the hard drive is intact and does not go through Board's destruction processes.

## Management Actions Taken After Fieldwork

After our February 2026 inventory count of the 677 untagged laptops, the custodial division reconsidered its original decision to pause inventorying the laptops until after it transitioned IT management responsibilities to the Division of IT. The custodial division resumed inventorying the laptops. As of March 9, 2026, the custodial division (1) completed its inventory of the 677 laptops and (2) placed the inventoried laptops in key-locked cabinets in a secure storage room.

## Recommendations

We recommend that the CIO, in conjunction with the chief operating officer (COO) and chief financial officer,

1. Implement standardized expectations to ensure that the Board recovers laptops from all departing employees, including options for potential consequences for failure to return a laptop.

We recommend that the CIO

2. Coordinate with the responsible custodial division to ensure that the 677 laptops that were outside of the division's inventory system from June 2025 to March 2026, worth \$1.447 million, are issued to Board staff so that the funds spent on laptops are put to better use.

Finding 2 recommendations address that custodial divisions (1) do not consistently track unassigned laptops and (2) have unaccounted-for laptops. Finding 2 recommends that the CIO and COO establish

standard, enterprisewide expectations for managing the Board’s inventory of laptops and hard drives ready for disposal. Such expectations should include inventorying, tracking, and accounting for missing and unassigned laptops. In finding 2, we also recommend that the CIO and COO develop a monitoring program to ensure that custodial divisions implement and continuously follow those standard expectations. We believe that addressing these recommendations will begin to develop a programmatic agencywide standard approach for unassigned and missing laptops.

## Management Response

In response to our draft report, the COO concurs with our finding and recommendations. For recommendation 1, the Division of IT plans to (1) work with the COO, MFS, and the Board’s Legal Division to update enterprisewide policies and procedures to include the return of Board IT equipment by departing employees, as well as appropriate consequences for employees who fail to do so, and (2) communicate these expectations to custodial divisions. The Board plans to address this recommendation by the fourth quarter of 2026.

For recommendation 2, the Division of IT plans to coordinate with the custodial division to issue the 677 laptops by the fourth quarter of 2026.

## OIG Comment

The actions described by the Board appear to be responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.



# Finding 2: The Board Does Not Have a Standardized Process for Managing Its Inventory of Unassigned Laptops and Hard Drives Ready for Disposal

Some custodial divisions do not incorporate leading practices into their management processes for unassigned laptops and hard drives ready for disposal. The U.S. Government Accountability Office (GAO) states that successful implementation of IT management efforts benefits from standardization. According to a Division of IT representative, the Board’s decentralized IT inventory management structure has contributed to a lack of standardization across custodial divisions. Not developing and implementing standardized expectations for IT inventory and conducting periodic testing to confirm that the custodial divisions follow those expectations increases the likelihood of inconsistent execution.

## Some Custodial Divisions Do Not Consistently Use Leading Practices to Manage Their Inventory of Unassigned Laptops and Hard Drives Ready for Disposal

The Division of IT has incorporated the leading practices into its management processes for unassigned laptops and hard drives ready for disposal; however, we did not observe these processes across all the custodial divisions (see sidebar).

GAO states that standardization of enterprisewide support functions, such as IT, provides agencies with the perspective and responsibilities to ensure the successful implementation of functional management efforts. According to GAO, too often agencies place enterprisewide support functions into stovepipes, which limits an agency’s ability to consistently implement the support function and institutionalize accountability.

### OBSERVATION HIGHLIGHT

According to a Division of IT representative, there have been some recent shifts toward a more standardized approach to managing the Board’s inventory of laptops and hard drives ready for disposal. Following the period of our review, one custodial division transitioned its management services for laptops and hard drives ready for disposal to the Division of IT, while another custodial division began a similar transfer to the Division of IT.

According to a Division of IT representative, the Board’s decentralized IT inventory management structure has contributed to a lack of standardization across custodial divisions. This decentralized management structure is reflected in the Board’s *Delegations of Administrative Authority*, which specifies that divisions can purchase IT equipment that costs less than \$200,000 without consulting the CIO. Under the *Delegations of Administrative Authority*, the COO authorizes the CIO to implement management policies

for IT equipment, but the delegations do not specify who has oversight responsibility for managing the equipment, such as laptops purchased by the custodial divisions.

In the current decentralized operating environment, there is no designated group, such as the Division of IT, to establish standardized expectations for these activities, train custodial divisions on the expectations, or conduct monitoring and testing to confirm that the custodial divisions follow standards. As a result, the custodial division's processes do not ensure that unassigned laptops and hard drives ready for disposal are adequately tracked, secured, and disposed of timely.<sup>7</sup>

## Recommendations

We recommend that the CIO, in conjunction with the COO,

3. Establish standard, enterprisewide expectations for managing the Board's inventory of unassigned laptops and hard drives ready for disposal. Such standardized expectations should incorporate leading practices and include inventorying, tracking, assessing missing, securing, and organizing unassigned laptops and hard drives ready for disposal, as well as time frames for tagging, inventorying, and disposing of hard drives.
4. Develop a monitoring program that
  - a. requires custodial divisions to report division-level laptop inventory information using the Board's IT inventory management system.
  - b. includes procedures for the Division of IT to ensure that custodial divisions follow the standard, enterprisewide expectations.

We recommend that the CIO

5. Develop and implement training for custodial divisions on the standard, enterprisewide expectations.

We recommend that the COO

6. Determine and clarify in the Board's *Delegations of Administrative Authority* who has the oversight responsibility to manage IT equipment purchased by the divisions.

## Management Response

In response to our draft report, the COO concurs with our finding and recommendations. For recommendation 3, the Division of IT plans to (1) work with the custodial divisions and MFS to implement standardized enterprisewide processes for managing IT inventory, including establishing time frames for initial inventorying, tagging, and disposal of hard drives; (2) work with custodial divisions to remediate identified issues; and (3) monitor for consistent application of these enterprisewide processes. The Division of IT also plans to coordinate with the COO to communicate the process and expectations to the custodial divisions. The Board plans to address this recommendation by the fourth quarter of 2026.

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<sup>7</sup> Findings 1, 3, and 4 discuss these issues in more detail.

For recommendation 4, the Division of IT and COO plan to (1) require that custodial divisions use the centralized enterprisewide inventory system and (2) work with custodial divisions to ensure that custodial divisions consistently follow the standardized processes. The Board plans to address this recommendation by the fourth quarter of 2026.

For recommendation 5, the Division of IT plans to provide training on the standardized expectations to custodial divisions by the fourth quarter of 2026.

For recommendation 6, the COO will (1) work with the CIO to determine the appropriate delegation for providing oversight over IT equipment purchased by the divisions and (2) update the *COO's Delegations of Authority to the Chief Information Officer* accordingly by the second quarter of 2026.

## OIG Comment

The actions described by the Board appear to be responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.



# Finding 3: Some Custodial Divisions Do Not Adequately Secure Unassigned Laptops and Hard Drives Pending Disposal or Separate Laptops by Life Cycle Stage

Some custodial divisions have inconsistent processes for securing and organizing their IT storage rooms. GSA and NIST highlight leading practices on securing and organizing IT storage space, which include using badge readers to secure storage rooms and developing storage methods to easily locate laptops. Some custodial divisions cited budgetary constraints to upgrading storage room access and fully separating IT equipment by life cycle stage. By not incorporating leading practices for securing and organizing IT storage rooms, the Board may not be able to identify who accessed a storage room at a particular time if a laptop or hard drive is missing or have assurance that laptops were reissued or disposed of, as expected.

## Storage Rooms Are Generally Not Secured by Badge Readers and Some Unassigned Laptops Are Not Separated by Life Cycle Stage

The eight custodial divisions that manage unassigned laptops and hard drives ready for disposal stored 1,809 unassigned laptops and 2,229 hard drives pending disposal. Table 1 shows the number of unassigned laptops and hard drives ready for disposal at the Board.

**Table 1. Unassigned Laptop Inventory**

Division	Unassigned laptops	Hard drives pending disposal
Custodial divisions <sup>a</sup>	1,809	2,229
IT	468	188
<b>Total</b>	<b>2,277</b>	<b>2,417</b>

Source: OIG Analysis of division-provided data.

Note: As discussed in finding 1, we found the inventory data reported by divisions to be unreliable due to some custodial divisions not (1) timely updating their inventory management system when laptop custody changes and (2) conducting routine inventories of unassigned devices in their custody. Therefore, we are reporting the numbers provided to us by the custodial divisions but do not attest to the data's accuracy or completeness.

<sup>a</sup> Does not include the 677 untagged laptops discussed in finding 1.

These unassigned laptops and hard drives ready for disposal were stored across 28 storage areas that had inconsistent processes for the following:

- **Storage Room Security.** Storage rooms and closets were generally covered by security cameras; however, seven of the eight custodial divisions did not use badge readers—which record the time and person who accessed a room—to secure 18 of the 28 storage areas. Custodial divisions without badge readers use either keys or key codes shared by up to 25 employees to access the storage rooms (figure 2). Keys and key codes are not as secure as badge readers because they can be shared and copied; in addition, they do not create an audit trail capturing who accessed the room at a specific time. While security cameras cover storage rooms, the custodial division may not be able to pinpoint the time that the storage room was accessed, which may prolong the time to review security camera footage if an incident occurs.

**Figure 2. Photograph of the Entrance of a Key Code–Secured Storage Room**



Source: OIG.

- **Laptop Organization.** Divisions did not consistently separate their laptops by life cycle stage in IT storage rooms. Two of the eight custodial divisions did not have separate storage areas designated for items available for issuance and items pending disposal. One additional custodial division stored laptops that could be reissued in the same room as laptops identified for disposal, which increases the likelihood that a device could be accidentally disposed of. Further, it is possible that a device surplussed with a hard drive could contribute to an information security breach.

Internal control standards state that management should establish physical controls to secure and safeguard vulnerable assets, which include equipment that might be vulnerable to risk of loss or unauthorized use. Further, GSA and NIST leading practices state that agencies should (1) use an automated mechanism that can log access; (2) secure laptops and hard drives in a controlled space; and (3) develop storage methods to easily locate and identify laptops and hard drives pending disposal, such as a badge reader, to secure storage rooms.

Some custodial divisions cited budgetary constraints to upgrading badge readers and having multiple storage rooms to separate IT equipment. In the absence of individual storage rooms by life cycle stage, some custodial divisions relied on signs within a storage area to separate assets in the different life cycle stages; however, we observed one custodial division that used signage to separate its laptops, yet commingled laptop shells for surplus with laptops with hard drives, apparently ignoring the signs (see sidebar).

By not using badge readers to secure IT assets, the Board may not be able to identify who accessed a storage room at a particular time if a laptop or hard drive goes missing. Further, by not systematically organizing storage rooms, custodial divisions do not have assurance that laptops were either (1) reissued or disposed of, as expected, and (2) that surplussed laptops do not contain hard drives.

## Recommendation

We recommend that the director of MFS

7. Establish and implement a process to visually confirm that hard drives are removed before surplussing the laptop shells.

We do not have additional recommendations for this finding to address inconsistencies in storage room security and laptop organization, because finding 2 recommends that the CIO and COO establish standard, enterprisewide expectations for managing the Board's inventory of laptops and hard drives ready for disposal. Such expectations should incorporate leading practices and include securing and

### OBSERVATION HIGHLIGHT

One division stored laptops with and without hard drives in the same crate, increasing the likelihood that a device with a hard drive could be surplussed (figure 3).

Divisions are responsible for attesting that hard drives have been removed from laptop shells before surplussing. MFS does not check to make sure that hard drives are removed from laptop shells being surplussed.

Figure 3. Photograph of Bin That Includes Laptops With and Without Hard Drives



Source: OIG.

organizing unassigned laptops. We also recommend that the CIO and COO develop a monitoring program to ensure that custodial divisions implement and follow the standardized expectations.

## **Management Response**

In response to our draft report, the COO concurs with our finding and recommendation. MFS plans to enhance its existing process by requiring that custodial divisions label laptops ready for surplussing with (1) confirmation that hard drives have been removed, (2) the date of removal, and (3) the individual who removed the hard drive. In addition, MFS will visually confirm that the label is on each laptop ready for surplus before disposal. The Board plans to complete these actions by third quarter 2026.

## **OIG Comment**

The actions described by the Board appear to be responsive to our recommendations. We will follow up to ensure that the recommendations are fully addressed.



## Finding 4: Some Custodial Divisions Do Not Adequately Track or Timely Dispose of Hard Drives Ready for Disposal

Some custodial divisions do not timely tag, inventory, or dispose of hard drives removed from laptops. Leading practices state that agencies should inventory hard drives ready for disposal in a centralized database and determine an appropriate time frame for disposing of hard drives. In the absence of standard, enterprisewide guidance that incorporates leading practices, custodial divisions have attributed delays tagging and disposing of hard drives to limited staff availability. By not timely tagging, inventorying, or disposing of hard drives removed from laptops, the Board increases the risk that sensitive information secured on such a device may be inadvertently disclosed.

### Some Custodial Divisions Do Not Follow Leading Practices for Managing Hard Drives Ready for Disposal

Custodial divisions reported storing 2,229 hard drives that have been removed from laptops as ready for disposal (see table 1). However, some custodial divisions do not manage the separate inventories consistent with leading practices:

- **Tagging Hard Drives Ready for Disposal.** Some custodial divisions do not timely tag hard drives ready for disposal. We observed one custodial division that had bins of 954 untagged hard drives waiting for disposal. Another custodial division stored hard drives waiting for disposal but did not track them individually.
- **Inventorying Hard Drives Ready for Disposal.** Some custodial divisions do not typically inventory hard drives ready for disposal. Five of the eight custodial divisions did not have itemized hard drive inventory data for 1,883 hard drives.
- **Timely Disposing of Hard Drives Removed from Laptops.** Some custodial divisions did not timely dispose of hard drives removed from laptops. Custodial divisions have 2,229 hard drives that have been removed from laptops and are ready for disposal (figure 4). Seventy-five percent of these hard drives are held by two of the eight custodial divisions, including one that has not disposed of hard drives since 2023 due to limited staff availability to tag the devices. An additional custodial division had not disposed of hard drives since 2021 because of a record hold request related to an investigation (see sidebar). Further, a representative from another custodial division stated

#### OBSERVATION HIGHLIGHT

A representative from one custodial division stated that the division could not dispose of the approximately 200 hard drives in its custody because a few of the hard drives were subject to a hold request and the division could not isolate those hard drives from the others in its possession. Without any identifying information, the custodial division would have needed to manually insert each hard drive into a laptop until the division identified the correct one.

that the division left bins of hard drives ready for disposal in a hallway or unlocked office for Board Facilities staff to pick up during a scheduled disposal—some of which were unencrypted and posed an increased risk of data loss.

**Figure 4. Photographs of Crates of Hard Drives Ready for Disposal**



Source: OIG.

Note: The photographs show crates from three different custodial divisions.

GSA and NIST leading practices state that agencies should (1) maintain updated inventory data in a centralized database to the greatest extent possible; (2) include unique identifiers for hardware, including hard drives ready for disposal; and (3) determine an appropriate time frame for media sanitization efforts, such as hard drive disposal.

In the absence of standard, enterprisewide expectations that incorporate GSA and NIST leading practices, custodial divisions have not implemented consistent practices for tagging, tracking, or timely disposing of hard drives removed from laptops. For the custodial division with the bins of 954 untagged hard drives waiting for disposal, a division representative stated that group does not use disposal stickers, but rather uses serial numbers to account for hard drives. Further, some custodial divisions attributed the backlog in disposing of hard drives to limited staff availability to tag the hard drives ready for disposal and document a description and serial number for each device being disposed of, as required by the Division of IT's *Media Disposal and Sanitization Standard*.

By not timely tagging, inventorying, and disposing of hard drives removed from laptops, the Board faces the increased risk that sensitive information secured on the device may be inadvertently disclosed and exploited by cyber criminals.

## **Recommendation**

We do not have a recommendation in this finding, because finding 2 previously recommends that the CIO and COO establish standard, enterprisewide expectations for managing the Board's inventory of laptops and hard drives ready for disposal. Such expectations should incorporate leading practices including performance measures and time frames for tagging, inventorying, and disposing of hard drives removed from laptops. We also recommend that the CIO and COO develop a monitoring program to ensure that custodial divisions implement and follow the standardized expectations.

## **OIG Comment**

This finding does not contain a recommendation and therefore does not require a specific response from the agency, and none was provided.



# Appendix A: Scope and Methodology

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Our overall audit objective was to assess the effectiveness of the Board’s processes for managing its inventory of laptops and hard drives ready for disposal. To do so, we assessed whether the Board divisions’ day-to-day operational processes align with internal procedures and leading practices for (1) tracking and securing unassigned laptops and hard drives ready for disposal and (2) removing hard drives. In addition, we assessed the Division of IT’s and MFS’s compliance with their policies for disposing of hard drives and laptop shells, respectively. We also assessed whether the Board consistently recovers laptops from departing employees. The scope of our audit covered September 1, 2024–August 31, 2025, for the following IT hardware in Board division custody: (1) new, returned, and pending disposal laptops not assigned to Board employees; (2) laptops returned by departing employees; and (3) hard drives that were ready for disposal.

To determine whether the Board divisions’ day-to-day operational processes align with its policies and leading practices for disposing of hard drives and laptop shells, respectively, and to assess whether the Board consistently recovers laptops from departing employees, we

- Reviewed Board policies, procedures, and reporting mechanisms.
- Sent an email questionnaire to each of the Board’s eight custodial divisions that procure, manage, and initiate the disposition of laptops and hard drives ready for disposal and analyzed the questionnaire responses.
- Interviewed representatives from three of the eight custodial divisions and the Division of IT.
- Conducted a walkthrough of and photographed four divisions’ IT storage spaces. We selected three divisions for walkthroughs as they had the largest number of hard drives pending disposal in their custody. We also conducted a walkthrough of the Division of IT’s storage space to assess the degree of alignment with GSA and NIST leading practices.
- Analyzed laptop and hard drive inventory data provided to us by each division. In this analysis, we identified a data limitation when we determined that the data was unreliable due to concerns with (1) how timely some custodial divisions updated the data, (2) two custodial divisions that did not conduct routine inventories of unassigned laptops in their custody, and (3) the disparate inventory management systems used to maintain the data. Therefore, we cannot attest to the data’s accuracy or completeness.<sup>8</sup>
- Reviewed GSA and NIST guidance to identify leading practices in managing laptops and hard drives ready for disposal and compared these leading practices to division processes.

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<sup>8</sup> Our original scope included reconciling inventory records with physical inventory in select divisions. However, we did not complete this work because of the data limitations that we encountered and our decision to report out of scoping.

To assess the Division of IT's compliance with its policies for disposing of hard drives for all Board divisions, we

- Reviewed the Division of IT's enterprisewide policies and procedures governing hard drive disposal and electronic media disposal sanitization standards, reviewed their questionnaire responses on hard drive disposal, and interviewed Division of IT representatives to identify their processes for disposing of hard drives.
- Conducted a walkthrough of the designated Board IT storage space for hard drives.
- Observed a hard drive shredding event.

To assess MFS's compliance with its policies for surplussing laptop shells, we

- Reviewed MFS and Board-wide property management policies and procedures, sent and analyzed MFS's questionnaire responses on laptop shells, and interviewed MFS representatives to identify their processes for surplussing laptop shells.
- Observed a transfer of 167 laptop shells from the Division of IT to MFS for surplussing.
- Conducted a walkthrough of the Board's warehouse, where the laptop shells are stored after a division transfers the laptop shells to MFS for surplussing.

We also identified funds that could be put to better use related to a custodial division's acquisition of 800 laptops in June 2025. Of these, 677 laptops—at a cost of \$1.447 million—were untagged and unassigned to users when we issued our draft report in February 2026. We obtained the dollar value for the 677 laptops from the purchase order. The audit team conducted an independent inventory of the untagged laptops to verify that there were 677 untagged laptops.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We conducted this work from September 2025 to March 2026.

# Appendix B: Management Response



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, DC 20551

OFFICE OF THE  
CHIEF OPERATING OFFICER

March 23, 2026

Michael VanHuysen  
Associate Inspector General for Audits and Evaluation  
Board of Governors of the Federal Reserve System  
Washington, DC 20551

Dear Mr. VanHuysen

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG) draft report titled *The Board Should More Effectively Manage and Secure Its Inventory of Unassigned Laptops and Hard Drives Ready for Disposal*. We appreciate the OIG's effort to develop the report and recommendations to further strengthen the Board's processes and procedures governing the management, tracking, and disposal of laptops and hard drives.

We are proud of the work accomplished by our Information Technology (IT) and Property Management teams. We realize we have additional work to establish standardized expectations for the processes and procedures that divisions follow for managing, tracking, and disposing of laptops and hard drives.

We have reviewed the report and concur with the four findings and seven recommendations. We have already begun work that we believe is responsive to your findings and recommendations. Our responses for each recommendation are included below.

We value your objective and independent viewpoints, and appreciate the professionalism demonstrated by all OIG personnel throughout this audit and your efforts to understand our laptop inventory processes and procedures. We look forward to continued work with your office in the future.

Regards,

**WINONA** Digitally signed by  
**VARNON** WINONA VARNON  
Date: 2026.03.23  
15:05:40 -04'00'

Winona H. Varnon

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**Response to recommendations presented in the Draft OIG Report,*****“The Board Should More Effectively Manage and Secure Its Inventory of Laptops and Hard Drives Ready for Disposal”*****Finding 1: Some Board Laptops Are Not Consistently Tracked and Accounted For**

Recommendation 1: Implement standardized expectations to ensure that the Board recovers laptops from all departing employees, including options for potential consequences for failure to return a laptop.

*Management Response:*

We concur with the finding and recommendation. Board IT will work with custodial divisions to ensure that a standardized expectation for the full lifecycle management of devices is communicated, including return of equipment when employees or contractors depart. We will work with the Division of Management and Financial Services (MFS) and the Chief Operating Officer (COO) as well as Legal to update procedures and policies as needed to include appropriate consequences for failure to return equipment upon departure. This information will be communicated boardwide utilizing a top-down approach. This will include socializing these initiatives with the Executive Committee (EC), posting articles on ItB, conducting drop-in meetings, and ensuring applicable information is readily accessible. We are targeting an enterprise-wide adoption of processes by Q4 2026.

Recommendation 2: Coordinate with the responsible custodial division to ensure that the 677 laptops that were outside of the division’s inventory system from June 2025 to March 2026, worth \$1.447 million, are issued to Board staff so that the resulting funds spent on laptops are put to better use.

*Management Response:*

We concur with the finding and recommendation. Board IT will coordinate with the custodial division to ensure that all of the 677 laptops are issued to Board staff. We will complete this action by Q4 2026.

**Finding 2: The Board Does Not Have a Standardized Process for Managing Its Inventory of Unassigned Laptops and Hard Drives Ready for Disposal**

Recommendation 3: Establish standard, enterprisewide expectations for managing the Board’s inventory of unassigned laptops and hard drives for disposal. Such standardized expectations should incorporate leading practices and include inventorying, tracking, assessing missing, securing, and organizing unassigned laptops and hard drives ready for disposal, as well as time frames for tagging, inventorying, and disposing of hard drives.

*Management Response:*

We concur with the finding and recommendation. Board IT will work with the custodial divisions as well as the MFS to ensure that Laptop and Hard Drive inventories processes are standardized and followed consistently. This includes standardized time frames for initial inventory, tagging, and disposal of hard drives. We will work with custodial divisions to remediate identified issues, implement standardized processes, and monitor

their adherence by Q4 2026. To further support the success of this initiative, Board IT will coordinate with the COO to conduct a communications plan that will include socializing the processes and expectations with the EC, conducting drop-in meetings, and ensuring applicable information is readily accessible.

Recommendation 4: Develop a monitoring program that (1) requires custodial divisions to report division-level laptop inventory information using the Board's IT inventory management system and (2) includes procedures for the Division of IT to ensure that custodial divisions follow the standard, enterprisewide expectations.

*Management Response:*

We concur with the finding and recommendation. Board IT will work with custodial divisions to transition all laptop inventory to the Board's enterprise Hardware Asset Management platform by Q4 2026. We will also work with custodial divisions to ensure that processes are being consistently followed. Board IT in coordination with the COO will communicate this information utilizing a top-down approach. This will include socializing the information with the EC, working one-on-one with custodial divisions, and ensuring applicable information is readily accessible.

Recommendation 5: Develop and implement training for custodial divisions on the standard, enterprisewide expectations.

*Management Response:*

We concur with the finding and recommendation. Board IT will provide training on the enterprise expectations for consistent inventory management as part of the custodial divisions' migration to the enterprise Hardware Asset Management platform. We are targeting to complete this training by Q4 2026.

Recommendation 6: Determine and clarify in the Board's *Delegations of Administrative Authority* who has the oversight responsibility to manage IT equipment purchased by the divisions.

*Management Response:*

We concur with the finding and recommendation. The Chief Operating Officer in coordination with the director of the Division of Information Technology will determine the appropriate group that will be delegated this oversight responsibility. Accordingly, the Chief Operating Officer's Delegations of Authority to the Chief Information Officer will be updated to reflect the appropriate delegations for this responsibility. We are targeting an implementation by Q2 2026.

**Finding 3: Some Custodial Divisions Do Not Adequately Secure Unassigned Laptops and Hard Drives Pending Disposal or Separate Laptops by Life Cycle Stage**

Recommendation 7: Establish and implement a process to visually confirm that hard drives are removed prior to surplussing the laptop shells.

*Management Response:*

We concur with the finding and recommendation. MFS will require all divisions who submit surplus work orders for laptops to have labels affixed to them with text

confirming that the hard drives have been removed, the time period of the removal, and who removed them. MFS (Property Management) will visually confirm each surplus laptop has a label in addition to continuing to ensure that submitters attest that all hard drives have been removed from them on their respective FR14-522 Property Management Surplus form. Adhering and applying this policy across the Board will ensure a uniform and consistent process. Any laptops that do not follow this requirement will be removed from surplus pickup and will not be taken to the warehouse for disposition. We are targeting an implementation by Q3 2026.

**Finding 4: Some Custodial Divisions Do Not Adequately Track or Timely Dispose of Hard Drives Ready for Disposal**

No recommendations.



# Abbreviations

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<b>CIO</b>	chief information officer
<b>COO</b>	chief operating officer
<b>GAO</b>	U.S. Government Accountability Office
<b>GSA</b>	U.S. General Services Administration
<b>MFS</b>	Division of Management and Financial Services
<b>NIST</b>	National Institute of Standards and Technology



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