Office of Internal Audit

Post-Audit Review 14-01: Surplus Property Disposal Process

March 2016

City Auditor
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Senior Auditor
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OFFICE OF INTERNAL AUDIT
Stan Sewell, City Auditor

March 14, 2016

To: Mayor Andy Berke
        City Council Members

Subject: Post-Audit Review of Surplus Property Disposal Process (Report #14-01)

Dear Mayor Berke and City Council Members:

Attached is a summary report on the status of audit recommendations in our 2014 Surplus Property Disposal Process report. The purpose of this report is to confirm whether, and to what degree, management has implemented the recommendations made in the original audit.

The original audit concluded:

1. A fluid inventory tracking system was needed to efficiently maintain a perpetual inventory of surplus property;

2. Comprehensive policies and procedures were needed to provide guidance to the various City departments; and,

3. Enhancements to the surplus request process could improve its overall efficiency.

The audit had 13 recommendations to improve efficiency and effectiveness of the surplus disposal process as well as address internal control deficiencies observed in the inventory process. At the time of this Post-Audit Review, seven recommendations were not implemented, one was partially implemented, and five were implemented. Recommendations partially implemented and not implemented are herein reported to the Audit Committee for follow-up, as appropriate.

This Post-Audit Review consisted principally of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards. The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been

performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
         Stacy Richardson, Chief of Staff
         Maura Sullivan, Chief Operating Officer
         David Carmody, Deputy Chief Operating Officer
         Daisy Madison, Chief Financial Officer
         Bonnie Woodward, Director Purchasing
         Cary Bohannon, Director General Services

RECOMMENDATIONS NOT IMPLEMENTED (7)

Recommendation	Actions Taken
3 We recommended Purchasing change the surplus template to an excel format and update the form to include approval area for IT personnel.	The surplus template has not been revised. The surplus forms located at the warehouse had no indication that the IT Department had approved the surplus of computers and laptops. The Division is currently revising the form and anticipates release of the new form by April 2016.
5 We recommended Purchasing incorporate detail surplus procedures, including exceptions, in its policy manual (or adopt a separate surplus property manual). The inventory clerks, supervisors and administrators should receive training on the appropriate procedures and be provided the updated policy and procedure manual.	The Procurement Instructional Manual (2014) is under revision and will include expanded surplus disposition procedures. Training will be developed and conducted upon issuance of the revised manual. The Division expects to release the revision in May 2016.
6 We recommended Purchasing implement procedures to eliminate, as much as possible, the multiple times surplus property is handled by employees.	Purchasing is developing expanded surplus procedures and a revised asset disposition form. Upon finalizing the pending contract with the auction company, Building Maintenance will be able to transfer the surplus property that is identified for auction, directly to the contracted Auction Company, for storage.
9 We recommended the General Services Department limit access to the areas containing surplus property.	The surplus property is stored in an area that can be accessed by any City employee in the warehouse. During a recent site visit, we identified an item listed on a recent surplus form that was missing from the warehouse. According to the building maintenance personnel and the Asset Disposition Master inventory listing, the item has not been sold, disposed of or transferred to another department.
10 We recommended Purchasing, with the assistance of the IT Department, develop a service request type dedicated to surplus property. The service request flex questions should include all necessary information to properly route the work order between IT, Purchasing and Building Maintenance.	A 311 service request dedicated to surplus property disposals has not been developed at this time. Purchasing Division stated they have initiated discussions with the IT Department.

Recommendation		Actions Taken
11	We recommended Purchasing, with the assistance of the IT Department, expand the use of the CRM system to more efficiently organize and track the surplus process.	Purchasing Division stated they have initiated discussions with the IT Department.
12	We recommended Purchasing include a procedural requirement that all surplus requests be initiated by the departments using the CRM system only.	Purchasing has not implemented the recommended procedural requirement. Surplus property requests can be initiated either via email or 311.

RECOMMENDATION PARTIALLY IMPLEMENTED (1)

Recommendation		Actions Taken
2	Until a single cohesive system is in place, we recommended Purchasing develop and maintain a perpetual inventory system for all surplus property under its control.	Purchasing has developed an excel spreadsheet to track the transfer of surplus property from the departments to Purchasing. We reviewed the current inventory listing and visited the surplus warehouse. During our limited review, we identified property located at the warehouse that had not been added to the surplus inventory[1]. We also found an item, recently transferred to the warehouse, was missing (see comment under recommendation 9 above).

RECOMMENDATIONS FULLY IMPLEMENTED (5)

Recommendation		Actions Taken
1	We recommended the Finance Department, with the assistance of the IT Department, consider developing or purchasing a computerized inventory tracking system.	Capital funds have been approved for the procurement of an asset management software solution. The division anticipates the procurement to occur in May or June of 2016.
4	We recommended Purchasing implement a procedure to follow up with the department if they submit incomplete forms.	Purchasing indicated the procedure is in place and will be incorporated in its manual revision.

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[1] Auditor notified and provided a copy of the surplus form to the Purchasing Division.

Recommendation		Actions Taken
7	We recommended a dedicated area in the warehouse be used for surplus property.	The surplus property is currently stored in a dedicated area in the City warehouse, separate from other purpose areas. The draft contract with the auction company is pending. The contract will allow for direct placement of surplus property, which is allocated for disposal by auction, with the auction company.
8	We recommended the General Services Division enforce the terms of the contract and have the non-profit organization remove any non-city property from the areas not provided under contract.	The non-profit organization has been instructed to remove the non-city property and is currently in the process. The access between the two areas has been secured.
13	We recommended Purchasing, with the assistance of the IT Department, consider providing a surplus request link on the 311 website.	Although Purchasing has not requested assistance, the Division intends to consider the recommendation after the purchase and implementation of the new asset management software solution.

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