

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE OFFICE OF
CONTRACTING AND
PROCUREMENT'S PERSONAL
PROPERTY DIVISION
OPERATIONS AND AUCTION
PROCESS**



**AUSTIN A. ANDERSEN
INTERIM INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



September 1, 2004

Jacques Abadie
Chief Procurement Officer
Office of Contracting and Procurement
441 Fourth Street, N.W., Suite 700S
Washington, D.C. 20001

Dear Mr. Abadie:

Enclosed is our final report OIG No. 03-2-23MA, summarizing the results of the Office of the Inspector General's audit of the Office of Contracting and Procurement's Personal Property Division Operations and Auction Process.

Our audit report contains seven recommendations for necessary actions to correct the described deficiencies. We received a response to the draft report from Office of Contracting and Procurement (OCP) on August 6, 2004. We consider actions taken and/or planned by OCP to be responsive to our recommendations. The full text of the OCP response is at Exhibit B.

We appreciate the cooperation and courtesies extended to our staff during the audit. If you have questions, please contact William J. DiVello, Assistant Inspector general for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in cursive script that reads "Austin A. Andersen".

Austin A. Andersen
Interim Inspector General

AAA/lw

Enclosure

cc: See distribution list

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**AUDIT OF THE OFFICE OF CONTRACTING AND
PROCUREMENT’S PERSONAL PROPERTY DIVISION
OPERATIONS AND AUCTION PROCESS**

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EXECUTIVE DIGEST

OVERVIEW

This report summarizes the Office of the Inspector General's (OIG) review of the management of excess personal property and the property auction process at the Office of Contracting and Procurement (OCP) in the Personal Property Division (PPD). The audit was part of our annual plan and was performed to determine whether OCP: (1) auctioned property in an efficient, effective, and economical manner; (2) complied with requirements of applicable laws, rules, regulations, policies, and procedures; and (3) implemented internal controls to prevent or detect material errors and irregularities.

We want to acknowledge that OCP has reacted positively to our identification of issues to improve personal property procedures. OCP initiated corrective actions on some of our recommendations and provided target dates for completion of all seven recommendations.

CONCLUSION

The report contains one finding that details the conditions we documented during the audit. Overall, PPD's ineffective management of excess property has led to the auction of valuable District property at "bargain basement" prices and loss of needed income for the District. We found that the PPD does not adequately account for excess District property, routinely disposes of certain types of property for unrealistically low prices, does not transmit quarterly reports of operations to the D.C. Council as required by law, and needs to reevaluate staffing levels for disposal operations. These conditions are occurring because there is little or no management oversight of PPD operations.

Also, there are few internal controls in place to ensure the integrity of the disposal process, to include assurances of well advertised/publicized auctions, or that any final bid accepted for excess property reflects the fair market value of the auctioned item. In addition, there apparently has been no attempt to explore or use alternate methods of disposal that have proven effective and lucrative to other State and local governments. Lastly, there is a failure by management to ensure that recommendations made during past audits of PPD by the D.C. Auditor were acted upon in a positive way. The District is currently losing in excess of about \$500,000 a year as a result of the inefficient operations at PPD. A comparison of auction revenue generated versus operating costs during a 27-month period showed that it cost the District government \$1.50 to dispose of \$1.00 worth of excess property.

EXECUTIVE DIGEST

SUMMARY OF RECOMMENDATIONS

We directed seven recommendations to OCP that center in part on: (1) accounting for disposal property by establishing an inventory and tracking system; (2) exploring ways to maximize the profit gained from auctioned property; (3) establishing policies and procedures to require PPD personnel to visually inspect and assess fire and Emergency Medical Services (EMS) apparatus prior to auction; and (4) implementing internal controls to ensure that auctions are well advertised and publicized.

The review primarily focused on events and transactions occurring during the period of October 2001 through January 2004. A summary of the potential benefits resulting from the audit is shown at Exhibit A.

CORRECTIVE ACTIONS

On August 6, 2004, OCP provided a written response to our draft report. We find that OCP's comments are acceptable and are incorporated as appropriate. The full response from OCP is attached at Exhibit B.

INTRODUCTION

BACKGROUND

The OCP, under the direction of the Chief Procurement Officer, was established in 1996 by the “Procurement Reform Amendment Act of 1996.” OCP provides centralized procurement for the District government and contracts for supplies, services, and construction for District government departments and instrumentalities.

The responsibility for disposing of government-owned excess personal property rests with the OCP, which delegated that responsibility to the PPD. The PPD operates under guidelines contained in the Material Management Manual (MMM) published in 1974. In May 2001, OCP updated Section 2632.1 of the MMM and created the Personal Property Management Manual (PPMM). The PPMM establishes policies, procedural instructions, and other related requirements for the control of personal property and excess personal property. The two types of property are defined as follows:

- **Personal property** means any property or interest in property, excluding real property, District government records, money, and other negotiable properties. 27 DCMR § 4199.1.
- **Excess personal property means** personal property deemed by an agency head/designee to be not required for the needs of the custodial D.C. agency. 27 DCMR § 2199.1.

When a District government agency determines that an item of personal property is unserviceable, damaged beyond reasonable or economical repair, obsolete, or excessive to the needs of the agency, disposal of the property can be authorized. The accountable property manager should prepare a Property Disposal Action, DC Form 2630-8, declaring such property as excess. The Property Disposal Action (PDA) and the property are then sent to the PPD for disposal in accordance with District and regulations. The types of excess personal property we encountered during our audit included five different types of fire trucks, EMS vehicles (ambulances), automobiles, used schoolbooks, heavy equipment, scrap metal, and other personal property.

Section Q (4) of the PPMM provides that property found by the Chief of the Personal Property Division to be excess, “but which retain usable life or possesses residual value sufficient to warrant sale thereof shall be disposed of by competitive bid seal, by negotiated sale or by trade-in for reasonable value in the purchase of like property.”

INTRODUCTION

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to determine whether the OCP auctioned property in an efficient, effective, and economical manner; complied with requirements of applicable laws, rules, regulations, policies, and procedures; and implemented internal controls to prevent or detect material errors and irregularities.

To accomplish our objectives, we held interviews and discussions with PPD management and administrative staff to gain a general understanding of the policies and procedures and other controls used by PPD in the auction process of District property. We also examined and analyzed auction records, attended several auctions, conducted research on the Internet, and benchmarked sales conducted by companies specializing in fire and EMS equipment. We did not completely rely on computer-processed data during this audit. However, any use of this data would not materially affect the audit results. The period of our review covered October 2001 through January 2004.

This audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary.

FINDING AND RECOMMENDATIONS

FINDING: PERSONAL PROPERTY DIVISION OPERATIONS AND AUCTION PROCESS

SYNOPSIS

The PPD does not adequately account for excess District government personal property, routinely disposes of certain types of property for unrealistically low prices, and does not transmit quarterly reports of its operations to the D.C. Council as required by law. Furthermore, PPD needs to reevaluate staffing levels for the Division. These conditions occurred because there is little or no management oversight of the PPD. Also, there are few internal controls in place to ensure the integrity of the disposal process, to include assurances of well advertised/publicized auctions, or that any final bid accepted for excess property reflects the fair market value for the item. In addition, there has been no apparent attempt to explore or use alternate methods of disposal that have proven effective and lucrative to other State and local governments. Lastly, there is a failure by management to ensure that recommendations made of PPD by the D.C. Auditor were acted upon in a positive way. The District is currently losing in excess of \$500,000 a year as a result PPD's inefficient operation. A comparison of auction revenue generated versus operating costs during a 27-month period showed that it cost the District government \$1.50 to dispose of \$1.00 worth of excess property.

INVENTORY OF DISPOSAL PROPERTY

All District government entities are required to appoint a Property Officer who is accountable for agency property. The Property Officer reports on and turns in any excess property to the PPD for final disposal. Agencies list property on a PDA, DC Form 2630-8. When property arrives at the PPD for disposal, good business practices dictate that an inventory of those items is made and an accurate record kept until disposal.

Property inventories are a major management tool widely used to identify and control loss of inventory due to theft and pilferage. Property inventory serves as an internal control that would ensure that any loss is properly accounted for and that the District receives all the funds the city is entitled to upon disposal. However, in a September 2000 audit, the Office of the District of Columbia Auditor found that property under PPD's control was missing and recommended that OCP establish inventory controls. The OCP took no exception to the audit finding and responded in writing to the report stating that it had begun the planning and configuration of a citywide tracking and inventory system. The response set a target date of October 2000 (30 days from the date of the report) to have this system in place and operational.

FINDING AND RECOMMENDATIONS

Almost 4 years later, our review found that not only was this inventory system not in place, but OCP had not required PPD, nor had PPD on its own, taken any measures to routinely inventory property when turned in for disposal. We found that once in PPD custody, incoming property was commingled with property from other District entities and moved around in a warehouse until disposition by means of a monthly auction. We also found no evidence that PPD tagged or tracked property after it arrived at its facility. Consequently, at the time of auction, it was unknown if all the property turned in was auctioned or if some of the property was lost due to theft or misplacement. It was also unknown if monies were lost as a result of not having inventory control in place. The OCP should immediately require PPD to create and maintain an inventory of property under its control that is scheduled for disposal. This inventory can easily be accomplished with existing personnel. The type of excess personal property reflected in the inventory would include fire trucks, EMS vehicles (ambulances), automobiles, and other property subject to disposal.

Additionally, the OCP should consider automating the process whereby Property Officers submit excess personal property to PPD. This information could then be adapted to work in conjunction with an automated inventory control system, which would help establish a level of control and accountability for excess personal property at PPD.

We also discussed that the OCP does not transmit quarterly reports of its operations to the D.C. Council as required by law. D.C. Code § 2-307.02 (2001) states, “[u]nless otherwise provided by law, the Director shall send proceeds from the sale, lease, or disposal of surplus goods and supplies back to the General Fund. The Director shall transmit to the Council a quarterly report providing detailed information on transactions made under this section.” OCP should start the practice of providing the D.C. Council with quarterly reports detailing activities of operations at PPD.

FIRE TRUCK AND AMBULANCE DISPOSAL

In most cases, the responsibility for the disposal of government vehicles, including automobiles, ambulances, and fire trucks, rests with the Chief Procurement Officer (CPO) in OCP. Procurement and disposal authority is set forth in D.C. Code § 3-203.03 (2001), Title 27 DCMR Chapters 21 and 41, and PPMM § 2632.1. That responsibility includes ensuring that regulations governing the disposition of any excess personal property are complied with and that the District government receives fair and proper compensation for that property. The CPO has delegated responsibility for the actual disposal of property to the Property Disposal Officer (PPO) who is also the Chief of PPD¹.

¹ There are two exceptions for vehicle disposal responsibility within the District of Columbia. The Metropolitan Police Department and the Department of Public Works have been given permission to dispose of their vehicles without going through the PPD. Both of these Departments dispose of vehicles via separately run auctions.

FINDING AND RECOMMENDATIONS

Additionally, PPMM § 2632.1 E (3) provides that agency property officers are responsible for maintaining records to reflect accountability of assigned property, such as proper property utilization and reconciliation of physical inventories with property records. Property officers must also report information on excess property available to the Chief, PPD. However, the PPMM does not provide written guidance for the inventory and control of excess property maintained at PPD.

Disposal Criteria. It is generally accepted that Fire and EMS apparatus, like all mechanical devices, have a finite life determined by many factors. Some of those factors are mileage and use, quality of preventative maintenance, quality of the equipment, and availability of replacement parts. Quality and timeliness of maintenance are perhaps the most significant factors in determining how well Fire and EMS apparatus will age. In fact, the National Fire Protection Association (NFPA), a nonprofit organization that provides scientifically based codes and standards to firefighters, has established a standard for the retirement of fire vehicles. The District's Fire Department has, in part, based fire apparatus retirement and disposal on NFPA recommendations. The NFPA Fire Protection Handbook at § 10-17 states that "[i]n general, a 10-to 15-year life expectancy is considered normal for first-line pumping engines [and] [f]irst-line ladder trucks should have a normal life expectancy of at least 15 years." Ladder truck life may be extended to 20 years in cases where substantially fewer responses are made to alarms than those made by pumping engines.

EMS ambulances in most cases receive significantly more use and acquire mileage at a faster rate than fire apparatus. The District Fire Department, which also has responsibility for EMS apparatus, has determined that optimum replacement of ambulances should be every 3 to 5 years depending on vehicle condition and the availability of replacement funding.

It should be noted that new pumping engines can cost in excess of \$200,000 and ladder trucks in excess of \$500,000. While acquisition costs for ambulances are not in that price range, it is not uncommon to spend in excess of \$60,000 for a new ambulance. At the time of disposal, used fire and EMS apparatus are usually worth substantial sums of money. Even if a vehicle has been damaged to the extent that it is not economically worth restoring, the parts alone can still bring large sums when removed and sold separately. Small townships and counties around the country who cannot afford the cost of new apparatus routinely rely on the purchase of "used" equipment to satisfy their needs. In fact, an entire industry has evolved around reselling "used" fire and EMS apparatus. It is very common to find Internet web sites devoted exclusively to the listing of used fire and EMS vehicles. There are also many used truck dealers who resell these vehicles.

PPD Auction of Fire Trucks. We found that used fire trucks and ambulances are sold by PPD at auction for a fraction of their actual worth. For example, at an April 25, 2003, auction, the PPD sold a 1993 KME pumper truck for \$25. A similar 1993 KME fire truck found on the Internet had an asking price of \$125,000. In another example, a 1989 Seagrave Aerial truck was sold at a PPD auction for \$100 on June 19, 2003. We were able to locate

FINDING AND RECOMMENDATIONS

another 1989 Seagrave Aerial truck, which was sold at a northern Virginia used truck lot. The asking price for that truck was \$35,900.

The PPD auctioned eleven fire trucks during the 27-month period we reviewed and realized \$3,125 for the sale of those trucks. The average auction price for a fire truck during the audit period was \$284. We were able to find like trucks and in two cases, the exact trucks auctioned, on the Internet. We verified that the Internet and used dealer lot asking prices for the 11 fire trucks, for the same type, year, and model truck totaled \$497,200. Table 1 below compares PPD sales with like vehicles found for sale on Internet sites and at an actual used truck dealer's lot.

**Table 1. Schedule of PPD Fire Truck Sales
10/01/01 Through 01/31/04**

	Auction Date	Year/Make	Auction Price	Internet/Dealer Asking Price
1	04/25/02	1986 Ford E-1 Pumper	\$75	\$59,000
2	04/25/02	1993 KME Pumper	25	125,000 ²
3	02/20/03	1984 Walter Duplex Pumper ³	525	7,900
4	06/19/03	1987 Ford E-1 Pumper ⁴	100	49,500
5	06/19/03	1987 Ford E-1 Pumper	100	49,500
6	06/19/03	1987 Ford E-1 Pumper	350	49,500
7	06/19/03	1989 Ford E-1 Pumper	350	52,000
8	06/19/03	1989 Ford E-1 Pumper	400	52,000
9	06/19/03	1989 Seagrave Aerial ²	100	35,900
10	09/25/03	1973 Ford E-1 Pumper	1,000 ⁶	9,000
11	09/25/03	1984 Walter Pumper	100	7,900
		Total	\$3,125	\$497,200

The pictures below show actual fire trucks that were auctioned by PPD. The fire truck on the left, a 1989 Seagrave Aerial that PPD auctioned for \$100, was advertised by an Internet vendor for \$35,900. The fire truck on the right, a 1984 Walter Duplex Pumper that PPD auctioned for \$525, was listed for \$7,900 by an Internet vendor.

² Price based on a 1990 KME Pumper, unable to find a 1993 KME Pumper for sale on the Internet.

³ Actual fire trucks auctioned by the District's PPD.

⁴ We visually inspected, started the fire trucks, and did note any bodily damage shown in this schedule as items 4 through 11. We did not document mileage.

⁵ OIG auditors attended this auction.

FINDING AND RECOMMENDATIONS



1989 Seagrave Aerial



1984 Walter Duplex Pumper

PPD Auction of Ambulances. Thirty-eight ambulances were auctioned during our review period and prices ranged from a high of \$7,500 for a 1999 Ford E-450 to a low of \$200 for a 1998 Ford (E-350). Total revenue received for the 38 vehicles in question was \$121,900. Once again, we found like vehicles on web sites, and the asking prices for these vehicles far exceeded PPD selling prices. For example, ambulances similar to those in the PPD auction priced at \$950 and \$4,000 were listed on an Internet auction/sale site with asking prices of \$55,000 (1999 Ford E450) and \$24,000 (1998 Ford E 350). The 38 ambulances on Internet sites reflected a total asking price of \$1,216,000 as shown in Table 2 below.

FINDING AND RECOMMENDATIONS

**Table 2. Schedule of EMS Vehicle Sales
10/01/01 Through 01/31/04**

	Auction Date	Year/Make	PPD Auction Price	Internet Asking Price
1	02/21/02	2000 Ford E450	\$1,200	\$57,000
2	02/21/02	1998 Ford E350	900	24,000
3	02/21/02	1999 Ford E450	950	55,000
4	02/21/02	2000 Ford E450	1,100	57,000
5	02/21/02	1998 Ford E350	200	24,000
6	02/21/02	1998 Ford E350	1,500	24,000
7	02/21/02	1997 Ford E350	1,400	32,000
8	02/21/02	1998 Ford E350	1,500	24,000
9	02/21/02	1998 Ford E350	1,600	24,000
10	04/25/02	1993 Ford E350	1,050	13,000
11	04/25/02	1998 Ford E350	3,500	24,000
12	08/15/02	2000 Ford E450	4,800	57,000
13	08/15/02	1997 Ford E350	1,600	32,000
14	08/15/02	1999 Ford E450	3,300	55,000
15	02/20/03	1998 Ford E350	4,000	24,000
16	02/20/03	1998 Ford E350	2,000	24,000
17	02/20/03	1999 Ford E450	3,300	55,000
18	02/20/03	1999 Ford E450	4,000	55,000
19	02/20/03	1998 Ford E350	3,300	24,000
20	02/20/03	1999 Ford E450	3,500	55,000
21	02/20/03	1998 Ford E350	3,600	24,000
22	02/20/03	1998 Ford E350	4,000	24,000
23	02/20/03	1998 Ford E350	4,100	24,000
24	02/20/03	1998 Ford E350	3,500	24,000
25	02/20/03	1998 Ford E350	3,600	24,000
26	03/20/03	1999 Ford E450	1,000	55,000
27	06/19/03	2000 Ford E450	1,000	22,500
28	06/19/03	2000 Ford E450	1,100	22,500
29	06/19/03	2000 Ford E450	2,700	22,500
30	06/19/03	2000 Ford E450	5,800	22,500
31	06/19/03	2000 Ford E450	6,000	22,500
32	06/19/03	2000 Ford E450	5,700	22,500
33	06/19/03	2000 Ford E450	6,300	22,500
34	06/19/03	2000 Ford E450	4,600	22,500
35	06/19/03	2000 Ford E450	5,400	22,500
36	06/19/03	2000 Ford E450	6,000	22,500
37	07/17/03	1999 Ford E450	7,500	55,000
38	09/25/03	1997 Chevy C 350	5,300	22,000
Total			\$121,900	\$1,216,000

FINDING AND RECOMMENDATIONS

Asking Price vs. Realized Price. We realize that the asking price of a vehicle does not always accurately reflect the amount realized at the actual point of sale. In addition, there is no practical method to ascertain actual selling prices for the vehicles in question. Therefore, for purposes of estimating the financial impact of PPD auction sales for fire and EMS vehicles, we reduced the Internet asking prices, shown in Tables 1 and 2 above, by 25 percent, a figure that may more accurately reflect the probable sale price. As shown in Table 3, the amount of revenue the District lost on PPD own auctions was significant when District auctions prices are compared to prices of comparable equipment for sale or sold on the Internet or dealer lots. Factoring in a 25-percent reduction from the listed price, we calculated that the revenue loss for the 11 fire trucks was \$369,775 while loss for the 38 ambulances amounted to \$790,100, an estimated total loss of revenue to the District government of \$1,159,875.

**Table 3. Schedule of Revenue Lost on PPD Sale
of Fire and EMS Vehicles
10/01/01 Through 01/31/04**

APPARATUS AUCTIONED	NUMBER OF VEHICLES	INTERNET ASKING PRICE (LESS 25%)	PPD SELLING PRICE	REVENUE LOST
Fire Trucks	11	\$372,900	\$3,125	\$369,775
EMS Vehicles	38	\$912,000	\$121,900	\$790,100
TOTAL				\$1,159,875

Several corrective actions need to be taken in order to make the overall PPD operation more viable and cost efficient. Areas that need improvement include the oversight of PPD operations, the evaluation of auction property value before sale, the advertising for the auctions, and the use of auction techniques to yield higher profits from these sales. Currently, the OCP uses an uncertified and untrained auctioneer to conduct the sales. Finally, there are alternative disposal methods for fire and EMS vehicles that need to be explored in order to increase auction revenues and possibly reduce operating costs.

OCP Oversight Review and Internal Controls. OCP does not review PPD operations, auction procedures, or the income derived from auctions on a regular basis. We found no internal controls in place to ensure that the District government receives maximum revenue for the sale of its excess property. The OCP should immediately review PPD operations and implement the necessary internal controls, especially in the areas discussed below.

FINDING AND RECOMMENDATIONS

Pre-Auction Evaluation of Vehicle Inventory. The PPD does not assess the value of vehicles in the sales inventory before auctions are held and has established no requirement for such an assessment. At a minimum, an assessment would alert the seller or auctioneer to the fair market value for the vehicle being sold. It also would permit PPD to establish auction reserves, or minimum bids to be reached, before an item can be sold, to prevent valuable property being sold at unreasonably low prices.

Advertising the Auction. According to the Chief of the PPD, it is PPD's unwritten policy to advertise auctions on the PPD website. Other forms of advertisement (i.e. newspaper, radio, fliers, etc.) are not used. Auction dates and descriptions of property to be sold are, according to the Chief, listed on PPD's website 3 days before the auction date. However, when we checked the site for the January 15, 2004, auction, the description of items for that auction did not appear until January 14, 1 day before the auction.

Our review determined that PPD made little effort in advertising an auction. Past reviews conducted by the DC Auditor have identified this same issue; however, OCP has taken no action to correct the situation. Advertising is a vital step to a successful auction that increases auction interest, attendance, and ultimately revenue at every sale. Accordingly, OCP needs to reevaluate its advertising procedures, prepare written policy on advertising, and establish an internal control to ensure that PPD widely advertises auctions.

Auction Techniques. A proven and frequently used method to protect asset value is to set minimum bids on auctioned property. PPD established minimum bids for some excess property such as computers, printing presses and fork lifts; however, PPD did not establish minimum bids for any fire apparatus auctioned. By simply researching the selling prices of fire trucks and ambulances, the PPD could easily set minimum bids on such apparatus, preventing the sale of valuable property at absurdly low prices. Establishing minimum bids is a technique that could increase auction proceeds to the District.

Untrained/Uncertified Auctioneer. The auctioneer, who is also the Chief of the PPD, is untrained to conduct auctions. In fact, the D.C. Auditor reported that the PPD auctioneer was untrained in its September 2000 report, and the OCP in response to the D.C. Auditor's report, OCP promised training and certification within 30 days. Almost 4 years later, the PPD auctioneer remains untrained and uncertified. Training provides auctioneers with expertise in stimulating competition among bidders, securing the highest price per sale and assessing value of items to be auctioned. Acquiring certification will provide the auctioneer with Code of Conduct and ethical standards in which to operate. There are several organizations that provide professional certifications to auctioneers, prominent among them is the National Auctioneers Association. The use of an untrained auctioneer may have contributed to the sale of valuable District property at unrealistic low prices. OCP should immediately take steps to assure that a trained and certified auctioneer conducts future auctions.

FINDING AND RECOMMENDATIONS

Alternative Methods for Sale of Excess Property. In addition to the previously discussed internal controls, the District government and OCP have other options to maximize revenues from the sale of excess fire and EMS vehicles. There are several brokers of used fire apparatus and EMS vehicles on the Internet. Many of these companies will sell city-owned fire and EMS apparatus on their website⁷. One company, claiming to be the nation's largest used fire apparatus dealer, sells fire and EMS apparatus using advertising methods similar to a real estate broker. For example, the company advertises a truck on its website where, according to the advertisement, an average of 34,000 individuals visits the website each month. The site also features the truck in a full color photograph in a nationally distributed print advertisement. When a buyer is found, this company negotiates the deal and handles the details of the sale for the client. The Internet company collects a 10-percent commission upon sale and sends the remaining proceeds to the seller. The buyer then picks up the truck from the seller and is responsible for transporting the truck to its new home. This company claims it sells approximately 250 units annually.

Alternatively, the District could sell excess fire and EMS vehicles on its website. Although this would eliminate the commission the city would have to pay an online company, it would require far more hands-on work by D.C. personnel as well as training in Internet marketing. A third alternative would be to transfer over vehicle sales to another Department. For example, as mentioned earlier, the Public Works Department currently disposes of its vehicles and could possibly take over the sale of vehicles from PPD. Regardless of the agency which has or is given the authority to dispose of excess property, the methods used for disposition need to be revised to maximize revenue, and guidance needs to be developed to give the District the flexibility to use alternative measures, such as the Internet, for disposal of excess personal property.

SALE OF OTHER EXCESS PERSONAL PROPERTY

PPD generates revenue from live personal property auctions annually. These live auctions generate the largest source of revenue for the PPD. The auctions are held monthly with the exception of December. In addition, PPD may conduct sealed bid auctions for scrap metal and heavy equipment. In addition to the live and sealed bid auctions, the PPD collects proceeds from the sale of obsolete textbooks.

Live Auction Sales of Excess Personal Property. Once the decision to auction the property is made, the Property Officer arranges to transport the property to the PPD warehouse. PPD personnel then move the excess property inside where it is sorted into auction lots and assigned an auction lot number. The lots are then stored in the PPD warehouse, usually 3 to 5 days before the auction. After personnel at PPD determine what will be auctioned, the

⁷ There are several Internet companies that sell used fire and EMS equipment for many municipalities throughout the U.S. Given the high cost of buying new equipment, there is an active market for used fire apparatus and EMS vehicles.

FINDING AND RECOMMENDATIONS

items are advertised on the PPD website, and then items are made available for public inspection prior to each auction. After the auction, PPD personnel move the lots to the loading dock where the buyer can receive his/her purchase.

Sealed Bid Auctions of Scrap and Heavy Equipment. The sale of scrap metal and heavy equipment is a PPD responsibility that occurs infrequently and consumes little time. These items are usually sold through a sealed-bid process. PPD's involvement consists of surveying the equipment or scrap metal, advertising the property for sale, and receiving and processing the sealed bids. During the 28-month period we reviewed, sealed bid sales of scrap metal and heavy equipment occurred only on 3 occasions.

Obsolete Schoolbook Sales. Used schoolbooks are kept in one location, the D.C. Public Schools Warehouse. A company that sells used and obsolete textbooks has been granted the right to dispose of these books. The District has an agreement with the company to remove all obsolete textbooks from the D.C. Public School Warehouse.

The District receives full buying guide price for all textbooks that are of value, and all other books are recycled. According to a representative from the book company, the proceeds that the District receives for books range between \$1.00 to \$20.00, depending on the condition and the publication date of the books. PPD's involvement in this process consists of inventorying the books with a representative of the book company prior to removal of the books, as well as receiving and processing the remittance check. As with heavy equipment and scrap metal, PPD conducts this activity infrequently. Table 4 below reflects monthly auction sales and volume, in terms of lots of all excess property auctioned and dollars received during the audit period.

FINDING AND RECOMMENDATIONS

**Table 4. PPD Auction Results
10/01/01 Through 01/31/04**

Auction	Date	Lots	Dollars
1	10/18/01	362	\$43,236
2	11/15/01	179	15,073
3	01/17/02	160	14,407
4	02/21/02	153	26,655
5	03/21/02	136	27,290
6	04/25/02	144	161,274 ⁸
7	05/23/02	106	32,305
8	06/20/02	92	7,350
9	07/18/02	59	8,415
10	08/15/02	90	17,995
11	09/19/02	94	12,103
12	10/17/02	60	4,485
13	11/21/02	88	16,000
14	01/16/03	71	1,705
15	02/20/03	74	40,615
16	03/20/03	81	4,575
17	04/17/03	81	1,175
18	05/15/03	81	4,660
19	06/19/03	129	54,435
20	07/17/03	73	12,950
21	08/21/03	161	8,100
22	09/25/03	80	9,430
23	10/16/03	67	4,175
24	11/20/03	90	4,320
25	01/15/04	72	1,665
	Totals	2,783	\$534,393⁹

During the period of our audit coverage, October 2001 through January 2004, PPD generated \$566,783. PPD achieved this by conducting a total of 25 live auctions and selling excess property for \$534,393. This amount includes \$133,008 from 3 sealed bid sales of scrap metal. An additional \$32,390 from the sale of used school textbooks was added to arrive at the total revenue generated of \$566,783.

⁸ This auction contained proceeds from a sealed bid auction of heavy equipment and scrap metal.

⁹ This amount includes fire apparatus auctioned amounts that are listed in Tables 1 and 2.

FINDING AND RECOMMENDATIONS

PPD Staffing

The PPD employs eight individuals, headed by a Property Disposal Officer (MS-1104) who is Chief of the Division, at grade 13, step 08. The remaining positions and grade levels are shown in Table 5 below. Salaries for each position have an additional 17 percent added to cover fringe benefits. The total salary and fringe benefits column reflects the actual cost to the District for each PPD employee.

Table 5
Schedule of PPD Employees by Job Title and Grade

Number of Employees	Job Title	Grade/Step	Salary	Fringe Benefits (17%)	Total Salary & Fringe Benefits
1	Property Disposal Officer MS-1104	13/08	\$76,582	\$13,019	\$89,601
2	Property Disposal Specialist DS-1104	12/02 11/01	48,266 40,269	8,205 6,846	56,471 47,115
1	Material Handler Leader LW-6907	06/05	32,341	5,498	37,839
3	Motor Vehicle Operator RW-5703	06/06 06/05 06/05	32,553 32,080 32,080	5,534 5,454 5,454	38,087 37,534 37,534
1	Property Disposal Technician DS-1107	06/05	27,210	4,626	31,836
Total					\$376,017

Employees assigned to warehouse operations include the three Motor Vehicle Operators and the Property Disposal Technician. These employees load and unload property for auction, stage lots for viewing and sale, and clean and maintain the warehouse shelves, bins, floors, and counters. We determined from observations of the daily activities of the four warehouse workers, the current condition of the warehouse, and a review of job descriptions, that their duties did not consume a full day's work for four employees. We also discussed the daily activities of the warehouse employees with the Chief of PPD, who agreed that it has been difficult to keep the four warehouse workers busy considering the volume of property that PPD receives for disposal. PPD should reevaluate staffing levels and make adjustments as necessary after OCP considers implementing the other recommendations made in this report (e.g., an inventory system, assessment of the value of property to be sold, and use of alternative methods for disposal).

FINDING AND RECOMMENDATIONS

Revenue Generated vs. Cost of Operations

The revenue generated during the 27-month review period was \$566,783, which includes \$534,393 for live auctions (Table 4) and \$32,390 for the sale of used schoolbooks. The cost of operations, as shown in Table 5, is \$376,017 (includes annual salaries and fringe benefits). We adjusted the annual salaries and fringe benefits to reflect the cost of salaries over the 27-month audit period. That adjusted figure is \$846,045.

By subtracting the revenue generated from the cost of operations, we find that over the 27-month audit period, the PPD generated revenue of \$566,783 and spent \$846,045 in salary and fringe benefits, a net loss to the D.C. government of \$279,262. The loss represents an average loss of \$10,343 monthly for each of the 27 months in question. Stated differently, it cost the District \$1.50 in salary and fringe benefits to recover revenue of \$1.00. Better management of the auction process and adoption of modern advertising techniques, such as Internet sale of valuable excess property, would likely have a positive impact on the return on investment. At the same level of activity in the 27-month review period, an Internet sale may have generated more than \$1 million or about \$500,000 per year in additional revenue.

Our analysis of potential revenue, based on selling prices that would have likely been realized had an alternative method been used to sell or auction fire and EMS apparatus, revealed the District would have generated \$1.36 for every dollar spent, assuming all of the available apparatus were sold at fair market prices.

RECOMMENDATIONS

We recommend that the Director, Office of Contracting and Procurement:

1. Establish and implement an inventory control system for excess personal property at the point of PPD's acceptance from District agencies, and continuing through the disposal process, implement a computerized tracking system to document incoming and outgoing property, and perform routine inventory of disposal property.

OCP RESPONSE

OCP agreed with the recommendation. OCP stated that they have developed an inventory control and tracking system in conjunction with the office of the Chief Technology Officer. OCP anticipates that the system will be fully implemented within 90 days. Estimated completion date is November 6, 2004.

OIG COMMENTS

We consider OCP actions to be responsive to our recommendation.

FINDING AND RECOMMENDATIONS

2. Implement policy to ensure that the D.C. Council is provided quarterly reports detailing information on PPD transactions in accordance with D.C. Code § 2-307.02 (2001).

OCP RESPONSE

OCP agreed with the recommendation. OCP stated that they will coordinate with the Office of the Chief Financial Officer to obtain monthly or quarterly statements and provide them to the City Council. OCP provided that this policy will be developed and implemented within 90 days. Estimated completion date is November 6, 2004.

OIG COMMENTS

We consider OCP actions to be responsive to our recommendation.

3. Use varied methods, including use of Internet sales brokers, in the disposal of fire and EMS apparatus, to enable the District to receive the maximum revenue possible.

OCP RESPONSE

OCP stated that they will research the various alternatives for disposing of Fire and EMS apparatus, to include the use of Internet sales brokers, and transferring of the auctioning function to another Agency/Department. OCP plans to complete this analysis within 90 days and the selected method will be implemented within 30 days. Estimated completion date is December 6, 2004.

OIG COMMENTS

We consider OCP actions to be responsive to our recommendation. However, OCP provided additional information in response to “Asking Price” versus “Realized Price.” OCP stated that our report is based solely on the Internet Dealer’s asking price, and that fair-market value is not determined by the dealer’s asking price. Our report calculates fair-market value, by considering the overall condition of the fire apparatus auctioned. In addition, the calculation of fair-market value included a 25-percent reduction in the Internet asking price to account for variables that could affect the fair-market value such as overall condition, any damage, missing parts, and the condition of the engines and transmission.

In order to validate our fair market estimates, we contacted Internet sales brokers to determine the actual sale prices of the exact make, model, and year of fire apparatus presented in our report. This additional work established that our initial draft report analysis was within range of the actual Internet sale prices. Our draft report showed that the eleven auctioned fire trucks could have yielded \$369,775 based on Internet asking prices. The Table below shows that actual sale prices would have realized \$364,000.

FINDING AND RECOMMENDATIONS

Further, a comparison of PPD actual auction sales with Internet sales brokers' actual sales prices reveals that the OCP missed opportunities to generate additional revenue of \$360,875 for the District.

	Year/Make	Amount Obtained at PPD Auction	Internet Sales Broker Actual Sales Price for the Same Model and Year of Equipment	Actual Funds Lost by the District in its PPD Auction
1	1986 Ford E-1 Pumper	\$75	\$25,000	\$24,925
2	1993 KME Pumper	25	80,000	79,975
3	1984 Walter Duplex Pumper	525	18,000	17,475
4	1987 Ford E-1 Pumper	100	30,000	29,900
5	1987 Ford E-1 Pumper	100	30,000	29,900
6	1987 Ford E-1 Pumper	350	30,000	29,650
7	1989 Ford E-1 Pumper	350	40,000	39,650
8	1989 Ford E-1 Pumper	400	40,000	39,600
9	1989 Seagrave Aerial	100	50,000	49,900
10	1973 Ford E-1 Pumper	1,000	3,000	2,000
11	1984 Walter Pumper	100	18,000	17,900
	Total	\$3,125	\$364,000	\$360,875

Additionally, OCP's response provided information obtained from the local dealer who purchased nine of the eleven fire apparatus presented in the above Table. In our opinion, OCP should not rely solely on the information provided to them by a local dealer who has a financial interest in the transactions/sales in question. The local dealer qualified his response to OCP and stated that the fire truck he provided information on had not yet sold.

4. Require PPD personnel to visually inspect and make assessments of the market value of fire and EMS apparatus, and require the establishment of minimum bids based on fair-market prices before fire and EMS apparatus are auctioned.

OCP RESPONSE

OCP stated that they will request the Fire/EMS Department to provide descriptions and conditions of all vehicles and will also use price guides and comparable market prices to establish minimum acceptable prices. Estimated completion date is September 6, 2004.

FINDING AND RECOMMENDATIONS

OIG COMMENTS

We consider OCP actions to be partially responsive to our recommendation. OCP did not address the prong requiring visual inspection of fire and EMS apparatus to help in making assessments of the market values of equipment to be auctioned.

5. Establish written policies and procedures for the advertisement of the monthly auctions to ensure that the auctions are widely advertised well before the auction date.

OCP RESPONSE

OCP stated that they will develop and implement a written advertisement policy, using various advertising vehicles, and the policy will establish procedures for determining advertising times and schedules to achieve maximum results and benefits. Estimated completion date is November 6, 2004.

OIG COMMENTS

We consider OCP actions to be responsive to our recommendation.

6. Require the personal property auctioneer to schedule and expeditiously obtain training and certification from a nationally recognized certification organization within a specified time period.

OCP RESPONSE

OCP responded that during the first quarter of FY 2005, OCP will identify an Auctioneering Training and Certification course to provide for the proper training and certification of the PPD auctioneer. Estimated completion date is December 30, 2004.

OIG COMMENTS

We consider OCP actions to be responsive to our recommendation.

7. Reevaluate PPD warehouse staffing levels and make adjustments as necessary to ensure that the operation is conducted in the most efficient and economical manner. As appropriate, retrain personnel, in such areas as inventory control, marketing, and advertising.

FINDING AND RECOMMENDATIONS

OCP RESPONSE

OCP stated that they will conduct a study, review the position descriptions of the warehouse personnel to determine and/or ensure that they are current, and accurately reflect duties and responsibilities of the PPD. Employee assessment will be conducted to identify training deficiencies to determine what training is needed of PPD personnel. Estimated completion date is December 30, 2004.

OIG COMMENTS

We consider OCP actions to be responsive to our recommendation. OCP provided clarification to our finding identified on page 17 in section, "Revenue Generated versus Cost of Operations." OCP provides that our analysis is incorrect because we used 100-percent of salaries and fringe benefits of PPD personnel. OCP stated that PPD personnel are not involved in auction activities 100-percent of the time. The analysis presented in our draft report was not to specifically document the cost of auction activities, but to document the cost of the entire PPD operation, and compare that cost to total revenue. The comparison of total cost of the PPD operation with total revenue generated from sales of excess property showed that it cost \$1.50 to collect \$1.00 in revenue.

**EXHIBIT A – SUMMARY OF POTENTIAL MONETARY BENEFITS
RESULTING FROM AUDIT**

Recommendation	Description of Benefit	Amount and Type of Benefit	Status¹⁰
1	Internal Control. Establishes procedures to ensure that adequate records and documentation is maintained for all property under the jurisdiction of the PPD.	Non Monetary	Open
2	Internal Control. Provides assurance that the D.C. City Council is aware of transactions occurring at PPD.	Non Monetary	Open
3	Internal Control and Economy and Efficiency. Provides that PPD will receive the maximum amount for auctioned fire and EMS apparatus.	Monetary \$500,000	Open
4	Internal Control and Economy and Efficiency. Provides that PPD personnel will be better equipped with first-hand knowledge of the condition of equipment being auction to ensure that the optimum auctioned amount is gained.	Monetary, See Recommendation 3	Open
5	Internal Control and Economy and Efficiency. Ensures that PPD auctions are advertised more widely to garner a larger market.	Non Monetary	Open
6	Compliance and Internal Control. Provides assurance that a trained and certified auctioneer conducts PPD auctions.	Non Monetary	Open
7	Economy and Efficiency. Provides assurance that the operations of the PPD are operating at the optimal level of efficiency.	Non Monetary	Open

¹⁰ This column provides the status of a recommendation as of the report date. For final reports, “Open” means management and the OIG are in agreement on the action to be taken, but action is not complete. “Closed” means management has advised that the action necessary to correct the condition is complete. “Unresolved” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B – OCP RESPONSE TO DRAFT REPORT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting and Procurement

Director



August 6, 2004

Austin A. Andersen
Interim Inspector General
Office of the Inspector General
717 14th Street, N.W.
Washington, DC 20005

Dear Mr. Andersen:

Thank you for the opportunity to respond to your draft report OIG No. 03-2-23MA of the results of the Office of the Inspector General's audit of the Office of Contracting and Procurement's Personal Property Division Operations and Auction Process. This response to your findings and recommendations includes specific actions that OCP will take to make necessary improvements and provides clarifications regarding some of your findings that were based upon incomplete information.

Recommendation 1. Establish and implement an inventory control system for excess personal property at the point of PPD's acceptance from District agencies, and continuing through the disposal process; implement a computerized tracking system to document incoming and outgoing property; and perform routine inventory of disposal property.

Response: OCP, in conjunction with the office of the Chief Technology Officer (OCTO), has developed an inventory control and tracking system that will fulfill the functions identified in the audit. It will be implemented after the system is tested on a production server and any necessary refinements are made. OCP anticipates that the system will be fully implemented within 90 days.

In the interim the PPD has instituted a manual inventory system and is using a Professional File Database Management System to assist in the accounting and control of property.

Recommendation 2. Implement policy to ensure that the D.C. Council is provided quarterly reports detailing information on PPD transactions in accordance with D.C. Code Section 2-307.02 (2001).

Response: OCP currently documents the items sold and the auction proceeds while the Office of the Chief Financial Officer (OCFO) receives and deposits the money in the General Fund and handles the accounting for all monies received. OCP will coordinate with the OCFO to obtain monthly or quarterly statements and provide these to the City Council with other appropriate documentation.

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EXHIBIT B – OCP RESPONSE TO DRAFT REPORT

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This process will be documented in a policy that OCP will develop and implement within 90 days, and the reports will be provided to the Council within an established time period following the end of each quarter.

Recommendation 3. Use varied methods, including use of Internet sales brokers, in the disposal of fire and EMS apparatus, to enable the District to receive the maximum revenue possible.

Response: OCP will research the various alternatives for disposing of Fire and EMS apparatus (including the use of Internet sales brokers, transferring of the auctioning function to another Agency/Department and maintaining the function within PPD, utilizing a trained certified auctioneer) and conduct a cost/benefit analysis to select a method that is most advantageous for the District. This analysis will be completed and a decision made within 90 days and the selected method will be implemented within 30 days thereafter. In the interim, OCP will extend the advertising period for auctions; expand the advertising methods utilized to reach a broader audience; and establish minimum acceptable prices for Fire and EMS apparatus to be auctioned.

Clarification: A comparison of "Auction Price" versus "Internet/Dealer Asking Price."

The report's Findings and Recommendations, under "PPD Auction of Fire Trucks," compares and contrasts the prices PPD received at auction for 11 fire trucks to the asking prices of Internet Dealers for like equipment. The report assumes that the District routinely suffers a substantial loss of potential revenue from the sale of Fire & EMS equipment because the PPD prices are far below the vehicle's fair-market value. This assumption is based solely on the Internet Dealer's asking price. However, fair-market value is not determined by the dealer's asking price.

Determination of the fair-market value of Fire & EMS equipment must include consideration of the overall condition of the apparatus at the time of sale; any damage to the apparatus; missing parts due to cannibalization; and the condition of the engines and transmissions. Additionally, it is reasonable to assume that the dealer/seller will allow for any expenses incurred for reconditioning and restoration of the apparatus, as well as allowing for a profit margin.

For instance, the Internet Dealer's asking price, in one example provided by the auditor, was \$7,900.00; a seemingly large price disparity, which at first glance would appear to confirm the assumption made by the report. However, this particular pumper was sold to Tom's Truck Sales of Manassas, VA and as of Wednesday, August 4, 2004 it was still on their lot and for sale. When contacted by this office and asked how Tom's Truck Sales arrived at the asking price of \$7,900.00 for the pumper, Mr. Sales Manager at Tom's Truck Sales, said, "It was completely arbitrary and we don't expect to get that much for it, but you shoot for the sun, moon and stars, and you take whatever you can get. I'll negotiate the price down if I have to, to get as much for it as I can, but we'll never get that much for it."

Additionally, it is important to note, that according to _____, Fire & EMS, Apparatus Division; "A very high percentage of the vehicles that we (Fire/EMS) turn-in for disposal, are either stripped or will require major maintenance and/or repairs; and virtually all of them will require some work or repair before they can be put on the street."

Recommendation 4. Require PPD personnel to visually inspect and make assessments of the market value of fire and EMS apparatus, and require the establishment of minimum bids based on fair-market prices before fire and EMS apparatus are auctioned.

EXHIBIT B – OCP RESPONSE TO DRAFT REPORT

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Response: The Fire/EMS Department will be requested to provide a description of the working condition of each vehicle and to list all parts that have been removed; and PPD will use this information in conjunction with Price Guides and comparable market prices to establish minimum acceptable prices.

Recommendation 5. Establish written policies and procedures for the advertisement of the monthly auctions, to ensure that the auctions are widely advertised well before the auction date.

Response: The OCP will develop and implement a written advertisement policy, considering the utilization of various advertising vehicles, including the newspaper, Internet, and radio to provide for the widest possible coverage. Additionally, the policy will establish procedures for determining advertising times and schedules to achieve the maximum result and benefit.

Recommendation 6. Require the personal property auctioneer to schedule and expeditiously obtain training and certification from a nationally recognized certification organization, within a specified time period.

Response: During the first quarter of FY 2005, OCP will identify an appropriate Auctioneering Training and Certification course, by a nationally recognized organization, and provide for the proper training and certification of the PPD auctioneer.

Recommendation 7. Reevaluate PPD Warehouse staffing levels and make adjustments as necessary to ensure that the operation is conducted in the most efficient and economical manner. As appropriate, retrain personnel in such areas as inventory control, marketing, and advertising.

Response: OCP will conduct a study of and review the position descriptions (PD) of the warehouse personnel to determine and/or ensure that they are current and accurately reflect the duties and responsibilities necessary to support and carry out the mission of the PPD. The PDs will be revised and updated as appropriate. Additionally, employee assessments will be conducted to identify possible training deficiencies and/or to determine training requirements. As appropriate, personnel will be retrained.

Clarification: A comparison of "Revenue Generated versus Cost of Operations"

The report finds that "during the 27-month review period, the PPD generated revenues totaling \$566,783.00, at an adjusted cost (based upon annual salaries plus benefits) of \$846,045.00, and representing a net loss to the District of \$279,262.00;" or "Stated differently, it cost the District \$1.50 in salary and fringe benefits to recover revenue of \$1.00. The report further finds that during the same 27-month period, "the District could have generated about \$500,000.00 per year in additional revenue," or \$1.36 for every dollar spent if alternative methods had been used to sell or auction Fire & EMS apparatus.

In the comparison of revenue generated vs. cost of operations, the report determines the cost of operations by using 100% of the salaries and fringe benefits of all personnel assigned. This assumes that 100% of the personnel assigned are involved in auction related duties and functions 100% of the time. Table 1, below gives a more accurate estimate of the cost of operations related to the auction, based upon a breakdown of the various duties and responsibilities of assigned personnel.

EXHIBIT B – OCP RESPONSE TO DRAFT REPORT

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These realistic estimates of the total time assigned personnel are involved in auction related duties and responsibilities show that the total cost of operations (salaries plus fringe benefits) related to the auction, for the 27-month period is \$370,924.00. Using the same formula as that in the report, and subtracting the cost of operations (\$370,924.00) from the total revenue generated (\$566,783.00), results in a cost recovery of \$195,859.00 instead of a net loss to the District of \$279,262.00. Stated differently, it cost the District about \$.65 in salary and fringe benefits to recover \$1.00, and not the \$1.50 indicated by the report.

The report's findings calculated the value of the revenue that PPD generates based solely upon the proceeds of the auction and surplus sales without considering the value to the District in the form of "cost avoidance" generated as a result of the dollars not spent by District government operations. In fact, the PPD provided District government operations with an alternative to new procurements and satisfied requirements for furniture, equipment and supplies through excess and surplus property. During the 22-month period, from December 1, 2001 to September 30, 2003, the PPD transferred in excess of \$2,052,360.00 (reported acquisition cost) of property, including furniture, equipment, supplies and vehicles, to District agencies from the Federal government (GSA's Franconia warehouse). Additionally, property totaling more than \$1,551,734.00 (reported acquisition cost) was transferred from Federal government and GSA warehouses other than Franconia, to the District government for a total savings to the District in excess of \$3,133,475.00.

During the same 22-month period, the PPD's cost of operations (salaries and fringe benefits) totaled \$689,365.00. By using the same formula as before, and subtracting the cost of operations (\$689,365.00) from the total revenue generated (\$3,133,475.00), the District realized a total cost avoidance of \$2,444,110.00. Stated differently, it cost the District about \$.22 in salary and fringe benefits for every \$1.00 it saved. When the two operations and their associated costs are considered together, the average overall cost of operations for the PPD is \$.43 per \$1 saved or earned.

EXHIBIT B – OCP RESPONSE TO DRAFT REPORT

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Table 1

Schedule of Employees by Title & Grade with Duties and Responsibilities

Job Title Grade & Step	Salary & Fringe Benefits	Estimated Total Auction Hours / 27 Month Period	Total Cost/ 27 Month Period	Duties Not Auction Related
Property Disposal Officer 13/08	\$89,601	270	\$11,630.00	Manage, direct and oversee daily operations; Make work assignments; Review & evaluate employee performance
Property Disposal Specialist 12/02	\$56,471	4320	\$117,285.00	Manage & coordinate daily warehouse operations; Record, issue & maintain Activity Address Code accounts;
Property Disposal Specialist 11/01	\$47,115	108	\$2,446.00	Direct the transfer and receipt of Federal excess property; Administer Federal Surplus Property Program
Material Handler Leader 06/05	\$37,389	2700	\$48,533.00	Maintains safety & security of warehouse, Relays work assignments and instructions
Motor Vehicle Operator 06/06	\$38,087	3240	\$59,327.00	Operate & maintain motor vehicle fleet; Loads/unloads vehicles; Assist in warehouse operations
Motor Vehicle Operator 06/06	\$37,534	2700	\$48,722.00	Operate & maintain motor vehicle fleet; Loads/unloads vehicles; Assist in warehouse operations
Motor Vehicle Operator 06/06	\$37,534	3240	\$58,186.00	Operate & maintain motor vehicle fleet; Loads/unloads vehicles; Assist in warehouse operations
Property Disposal Tech. 06/05	\$31,836	1620	\$24,795.00	Maintains property records; Receives & maintains correspondence; Answers telephone; Time-keeper
Total	\$375,567.00	18,198 hrs	\$370,924.00	

Table 2, below indicates OCP's responses to the report's recommendations and the target dates for completion.

EXHIBIT B – OCP RESPONSE TO DRAFT REPORT

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Table 2

Schedule of Response to Recommendations and Associated Target Dates

RECOMMENDATION	Target Date
1. Establish and Implement an Inventory Control System	November 6, 2004
2. Implement policy to ensure that City Council is provided quarterly reports, detailing PPD transactions I.A.W. DC Code § 2-307.02	November 6, 2004
3. Utilize varied methods, including Internet Sales Brokers, in the disposal of Fire/EMS apparatus to insure the District receives the maximum revenue possible	December 6, 2004
4. PPD will visually inspect and make assessments of the market value of Fire/EMS apparatus to establish minimum acceptable bids	September 6, 2004
5. Establish written policies and procedures for the advertisement of monthly auctions to ensure that auctions are widely advertised	November 6, 2004
6 PPD auctioneer will enroll in a training program offered by a nationally recognized certification organization	December 30, 2004
7. Reevaluate PPD staffing levels; make adjustments as necessary to ensure efficiency and economy. Determine personnel training needs and develop Individual Development Plans.	December 30, 2004

OCP appreciates the effort that your office has devoted to assessing the operations of our Personal Property Division. We will take the actions required to improve the deficiencies that you have identified. Should you have any questions or need of further clarification please contact Kevin A. Green, Deputy Director, Office of Contracting and Procurement at (202) 727-0252.

Sincerely,



Jacques Abadie, III – CPCM
Chief Procurement Officer

cc: Mr. Robert C. Bobb, Deputy Mayor/City Administrator
Mr. Herbert R. Tillery, Deputy Mayor for Operations