


County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Paul S. Grossgold, Director, General Services Agency

Date: March 20, 2014

From:  Jeffery S. Burgh, Assistant Auditor-Controller

Subject: **AUDIT OF THE GENERAL SERVICES AGENCY SURPLUS PROPERTY PROGRAM**

We have completed our audit of the General Services Agency ("GSA") Surplus Property Program. Our overall objective was to determine whether GSA Central Warehousing's Surplus operation ("GSA Surplus") was effective in safeguarding and accounting for surplus property. Except as disclosed in the attached report, the audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

The audit was initiated in response to a series of thefts of surplus cell phones by a GSA Surplus employee that occurred from May 2008 through December 2012.

EXECUTIVE SUMMARY

We found that GSA Surplus procedures were generally appropriate to physically safeguard surplus property. For example, security measures were in place for monitoring and limiting access to the GSA Surplus warehouse. We also confirmed that surplus property was picked up from departments by GSA Surplus in a timely manner. Documentation was maintained to confirm customer pickup of surplus property sold on the public auction website, and auction records indicated that amounts due to the County were remitted properly.

However, overall, GSA Surplus procedures were in need of improvement to account for surplus property. Specifically, we noted that:

- Lack of property tracking and segregation of duties placed surplus property at risk of misappropriation without detection.
- The container used to store surplus cell phones was not adequate to prevent pilferage.
- Documentation did not always identify GSA Surplus staff involved in or the dates of property transfers.
- Required fields could be added to the Online Surplus Form to improve property descriptions.
- Procedures did not facilitate departmental oversight when surplus property is reissued to employees.
- Separate user accounts were needed to distinguish GSA Surplus actions on the public auction website.

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- Procedures were not sufficient to ensure all payments were received from the metal recycler.
- Contracts with surplus property recyclers/auctioneers were not always on file.
- Written surplus policies and procedures were not always consistent and needed to be updated.

Except as noted in the attached report, GSA management initiated corrective action to address our findings. Management planned to complete corrective actions by December 2014.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Steve Bennett, Chair, Board of Supervisors
Honorable Kathy Long, Vice Chair, Board of Supervisors
Honorable Linda Parks, Board of Supervisors
Honorable Peter C. Foy, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer

County of Ventura
Office of the Auditor-Controller



AUDIT OF THE GENERAL SERVICES AGENCY
SURPLUS PROPERTY PROGRAM

March 20, 2014

Jeffery S. Burgh
Assistant Auditor-Controller

**AUDIT OF THE GENERAL SERVICES AGENCY
SURPLUS PROPERTY PROGRAM**

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AUDIT OF THE GENERAL SERVICES AGENCY SURPLUS PROPERTY PROGRAM

BACKGROUND

General Services Agency ("GSA") Procurement Services ("Procurement"), in partnership with GSA Central Warehousing, administers the Surplus Property Program for the County of Ventura ("County"). GSA Procurement's authority is derived from County Ordinance 4084, established pursuant to California Government Code Section 25500, and allows for the sale, lease, disposal, or exchange of County personal property not required for public use ("surplus property").

GSA Central Warehousing's Surplus operation ("GSA Surplus") receives or picks up tangible surplus property (i.e., excess equipment, supplies, furniture, etc.) and stores the property in a warehouse at the County Government Center. Items deemed reusable are posted online for reissuance to County departments while surplus property that cannot be reused is: auctioned to the general public through third party auctioneers; sold to recyclers as electronic waste or scrap metal; or discarded as deemed appropriate.

For fiscal year 2012-13, GSA reported that 4,899 surplus items were reissued to County departments and that \$101,437 in revenue was recognized from auctioned and recycled surplus property. We estimated that GSA Surplus received over 500 work order requests annually from departments for transfer of surplus property, containing approximately 10,000 surplus items.

The audit was initiated in response to the thefts of an estimated 2,000 surplus County cellular telephones that occurred from May 19, 2008, through December 28, 2012. A GSA Surplus employee was charged on January 28, 2013, with one count of grand theft by embezzlement for selling the cell phones to a third party for \$4,696 and cashing or depositing the checks into a personal bank account. The employee was also charged with one count of receiving stolen property after two County laptop computers and a printer were found at the employee's home. The employee resigned effective February 15, 2013.

SCOPE

Our overall audit objective was to determine whether GSA Surplus procedures were effective to safeguard and account for surplus property. Specifically, we:

- determined whether procedures to transfer property to GSA Surplus from other agencies were adequate;
- evaluated controls over the safeguarding and accounting of surplus property while in possession of GSA Surplus;
- evaluated whether the methods used for disposal/reuse/sale of surplus property were reasonable to ensure accountability; and
- determined whether records of surplus property sold were sufficient to justify revenue received.

We performed audit tests and evaluations using documents provided by GSA Surplus, GSA Procurement, and the Auditor-Controller's Office. Our audit focused on GSA Surplus operations during the period

February through May 2013, recognizing that operational changes were in progress during various stages of our audit. Our audit centered on surplus property stored in the GSA Surplus warehouse in early 2013 and therefore did not include surplus vehicles, or seized or unclaimed property housed at the Sheriff's Office. Except as discussed in the following paragraph, the audit was performed in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors ("*IIA Standards*").

In connection with our audit, certain disclosures are necessary pursuant to *IIA Standards*. Specifically, *IIA Standards* state: "If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment." In the temporary absence of an appointed or elected Auditor-Controller, the County Executive Officer ("CEO") has designated the Assistant Auditor-Controller as acting department head with an associated assignment pay premium. This necessarily impairs *IIA Standards* regarding independence because the Assistant Auditor-Controller currently receives the acting department head assignment pay premium as approved by the CEO and because the department under audit is subject to CEO oversight. However, as the integrity of our audit findings has not been subject to inappropriate influence by the CEO, the reader of this report can rely on the information contained herein.

FINDINGS

Procedures were generally appropriate to physically safeguard surplus property. For example, access to the GSA Surplus warehouse was monitored and limited to appropriate personnel. We also noted that surplus property was picked up by GSA Surplus in a timely manner when requested by departments. Documentation confirmed customer pickup of surplus property that was auctioned online. Our samples of auction records indicated that amounts due to the County were remitted fully and that sales tax and surcharges were calculated accurately. Moreover, during the audit, GSA Surplus management was working to improve the GSA Surplus work order request process by considering the use of GSA's existing document management system, DocuShare.

However, overall, we found that GSA Surplus procedures were in need of improvement to account for surplus County property.

We could not conduct a physical inventory of property in the GSA Surplus warehouse because surplus items, including cell phones, were not tracked from the time of receipt to final disposition. Other methods to facilitate accountability also had not been implemented to compensate for the lack of segregation of duties in the property transfer process. We understand that some items processed through GSA Surplus were nondescript or immediately disposed of as trash. However, this general lack of accountability exposed surplus property, especially high risk property that retained value, to misappropriation without detection.

After the cell phone thefts, GSA Surplus segregated surplus cell phones from other electronic waste while evaluating alternatives to recycling and locked the phones in a container. However, we noted concerns with the container, including the small size, mobility, and accessibility by GSA Surplus staff, which coupled with the lack of accountability, continued to place the cell phones at risk of misappropriation.

Recordkeeping was in need of improvement to ensure documentation was available to identify GSA Surplus staff involved in and the dates of property transfers. We also identified opportunities for improving

the Online Surplus Form, which departments submit electronically to GSA Surplus when property is ready for transfer, thereby generating the GSA Surplus work order request. Potential improvements included adding required fields for confirmation of serial numbers, data wiping, and authorization to transfer fixed assets, which would help to address concerns we noted in these areas.

When reissuing items to departments for reuse, employee requests for surplus property were not reported to the department to facilitate departmental oversight, and documentation of the property transfer to employees was not always complete. Also, separate accounts needed to be established for GSA Surplus personnel posting items on the public auction website to identify individuals responsible for actions performed on the website.

Improved communication was needed to ensure that payments were received for all scrap metal recycling bin pickups. Signed contracts were not always on file for County recyclers/auctioneers, which could call into question rates paid to the County and compliance with other County contract requirements. Further, GSA policies and procedures were not always clear or consistent to assist departments in the surplus process.

Following are details of the areas where improvements were needed. Except as noted in Finding 6(A), GSA management initiated corrective action during the audit.

1. **Tracking Surplus Property.** Tracking mechanisms were not adequate to account for high risk surplus property, including cell phones, after transfer to GSA Surplus. The *GSA Surplus Property Policy and Procedures Manual* requires that departments list the items being transferred to GSA Surplus. While this process relieved departments of responsibility for the listed property, GSA Surplus did not track the disposition of the property after receipt. As a result, GSA Surplus could not identify what property should be in the warehouse at any one time or the final disposition of all items received. Because a comprehensive warehouse property record did not exist, we could not confirm that surplus property expected to be in the warehouse was indeed present. The recent surplus cell phone thefts have highlighted the need to track high risk items more closely, which would allow for periodic spot checks of property in the warehouse.

Management Action. GSA management stated:

"We are entrusted by ordinance to pick up and perform disposition thereafter of surplus property countywide. Currently, a copy of each submitted online surplus pickup request is sent to the GSA Staff Services Manager, the Procurement manager and to GSA Surplus via e-mail. The Warehouse Coordinator reviews all GSA Surplus email requests and may receive input from the Purchasing Agent and the Staff Services Manager pertaining to specific items. Once the request is reviewed, questions answered and any errors corrected (e.g.- fixed asset documentation), it is assigned to the IMA II [Inventory Management Assistant II] in surplus for pick up. As a tracking mechanism, the IMA II verifies that items at the pickup location match the online work order submitted. If there are any changes to any aspect of any line item on the work order, the IMA II notifies the agency representative, makes the change on the form, and each party to the transaction initials the change. No additions are allowed. A department would need to submit another work order for any items not already on the work order. Each party to the surplus transaction, IMA II and the agency representative, will sign the work order kept by the surplus operation. As a further tracking mechanism, when items arrive in the surplus warehouse the Warehouse Coordinator will verify that items received at the surplus warehouse match the original work order, including a review of any modified and initialed changes.

"In order to improve these existing and enhanced surplus property tracking mechanisms, the Staff Services Manager for the warehouse operation has decided to leverage recently implemented digital workflows within the Business Support operation. The manager is currently nearing completion of a new GSA Surplus electronic form and workflow in combination with SCLogic barcode scan devices. This system will document and list the items submitted to surplus and allow for signatures from the agency relinquishing surplus and the GSA surplus agent who is taking possession. The form includes a custom field for an assigned asset tracking barcode that will be placed on an individual item or group of items and scanned to the form. These barcodes will be tracked from receipt at the surplus warehouse and then to final disposition; e.g. - sale, reuse/recycle or disposal using a SCLogic asset tracking profile. The surplus eform will be saved within our DocuShare ECM system with tracking barcodes visible. The history of the item through the surplus process will be tracked and viewable on a surplus maintained data base and will include signatures of all persons involved in the handling of the surplus items.

"Testing of the new form is currently under way with preliminary rollout scheduled for December 2014. When the updated Surplus eForm and workflow is complete, along with the SCLogic asset tracking, the history and disposition of ALL items and lots will be tracked and viewable and replace the photos and list of items."

2. **Segregation of Duties.** Due to limited staffing of GSA Surplus, additional controls were needed to compensate for the lack of segregation in duties for the accountability of surplus property transferred from County departments. At times, only one GSA Surplus employee picked up or accepted delivery of the surplus property from the requesting department and processed the same property at the warehouse (i.e., determined which items to throw away, recycle, auction, etc.). This exposed the property to misappropriation as no check existed to ensure that the property was actually delivered to the warehouse. Although GSA management received a copy of the GSA Surplus work order request for pickup/delivery of items, compensating controls could include an email back to the requesting department and to GSA management verifying the items actually received. This would provide GSA management with documentation to facilitate periodic spot checks of property, including cell phones, expected to be in the warehouse.

Management Action. GSA management stated:

"It is important to note that during FY 2011-12, the Staff Services Manager identified a significant increase in surplus pickups along with a commensurate increase in surplus auction revenue. Accordingly, the manager recommended and received approval for a Warehouse Coordinator supervisory position that better reflects both the operational activity increase and the need for a higher level of daily administrative oversight for this important function. It was this position, Warehouse Coordinator, doing both pickup of the surplus phones and performing the surplus disposition that was responsible for the theft during the time frame noted herein. We acknowledge and agree that this lack of separation of duties is a key issue to address.

"Prior to learning of the theft, but after the timeframe began during which the thefts occurred, to help address the lack of segregated duties, an Inventory Management Assistant II (IMA II) was assigned by the Staff Services Manager part time to assist with surplus pickups in order that the Warehouse Coordinator position could focus more on surplus disposition decisions. In May of 2012, a student worker was also added to the surplus operation to assist with verifying surplus requests until a more

permanent support solution could be defined. In September of 2012, an extra help IMA II was hired, with the intent that this position would primarily assist with surplus pickups. In November a permanent IMA allocation was approved by the CEO, and, after a recruitment process, in January 2013, surplus pickup duties were formally separated as a primary duty enabling the Warehouse Coordinator to review and recommend appropriate surplus routing as a primary function.

“The additional staffing will not satisfy the Segregation of Duties as finding #2 notes. In order to mitigate the internal control weakness cited, the process described in the management response #1 will provide the control necessary to ensure that property is delivered to the warehouse and properly accounted for.”

3. **Safeguarding Cell Phones.** The container used to store surplus cell phones was not adequate to safeguard cell phones from pilferage. In response to the surplus cell phone thefts, GSA Surplus implemented procedures whereby all surplus cell phones are locked in a container rather than placed on the electronics recycling pallet. However, because the container was the size of a small trashcan and was not secured to the building or locked away, the cell phones could be carried away in the container. Further, although the container was locked, the key to the container was accessible to GSA Surplus staff, exposing the phones to pilferage by staff without periodic spot checks by GSA management as discussed in Findings 1 and 2 above. Due to the high risk nature of cell phones as evidenced by the thefts, more secure physical safety measures were needed.

Management Action. GSA management stated:

“As noted by the Auditor-Controller, numerous safeguards in terms of physical access to the surplus area are and have been in place; badge access to all entrances limited to only authorized staff, security cameras both external and internal, and relocation recently of the in-warehouse surplus office to the warehouse entrance to enhance security and visibility of surplus transactions by staff.

“Upon learning of the cell phone theft, a lockable trash can size container was purchased. All declared surplus cell phones are locked inside such container upon receipt at the surplus warehouse. The container key is in sole custody of the Staff Services Manager. After management discussion in November 2012, security cameras were placed inside the surplus warehouse as of April 2013 with video and recording feeds maintained and monitored by GSA Special Services. Accordingly, the cell phone container is under 24/7 video monitoring.”

4. **Record of Transfer to GSA Surplus.** The GSA Surplus copy of the work order request for surplus property pickup/delivery did not identify the GSA Surplus staff member involved in the property transfer. Currently, the GSA Surplus staff member picking up the surplus property signs/dates the department's copy of the surplus work order request, and the relinquishing department representative signs/dates the copy for GSA Surplus. Therefore, should questions arise regarding those involved in pickup/delivery, the GSA Surplus staff member could not be immediately confirmed through the GSA Surplus property transfer record. We also noted that 2 (12%) of the 17 work orders reviewed contained changes to the original work order requests without the initials of both the department representative and GSA staff member confirming each of the changes.

Management Action. GSA management stated:

“Acknowledged and addressed as documented in item #1 Management Action and copied below:

“As a tracking mechanism, the IMA II verifies that items at the pickup location match the online work order submitted. If there are any changes (missing items, quantities not matching) the IMA II notifies the agency representative, makes the change on the form, and each party to the transaction initials the change. Each party to the surplus transaction, IMA II and the agency representative, will sign the work order kept by the surplus operation. As a further tracking mechanism, when items arrive in the surplus warehouse the Warehouse Coordinator will verify that items received at the surplus warehouse match the original work order, including any modified and initialed changes.

“Upon implementation of the new Surplus eform, the agency rep and the accepting surplus agent will both electronically sign the e-form and copies of the signatures will be saved and available on the ECM data base.”

5. **Online Surplus Form Improvements.** Opportunities were available to improve the Online Surplus Form by adding new required fields. Currently, the only required fields pertain to department contact information. For each surplus property item, one field is provided with guidelines for departments to include: “Description / QTY / VC Tag No. / MKT. Value / Comments-Usable?-Fixed Asset?” However, departments did not always specify these attributes. Establishing separate fields that must be populated for each attribute would provide both GSA Surplus and the submitting department with more complete information about the items being transferred. We also noted that other required fields could be added, such as confirmation of serial numbers, data wiping, and fixed asset transfer approval, to address the following areas of concern noted during our audit.

- A. **Serial Numbers for Cell Phones and Other Electronics.** GSA Surplus did not always ensure that serial numbers or other identifying attributes (e.g., make and model number) were listed for electronics, including cell phones, on the Online Surplus Form. Specifically, we noted:

- GSA Surplus procedures for cell phones required departments to list serial numbers for only the first 15 cell phones on the Online Surplus Form to accommodate departments transferring numerous cell phones at one time to GSA Surplus. Therefore, bulk quantities of cell phones received by GSA Surplus could not be confirmed to the Online Surplus Form.
- GSA Surplus procedures for other electronics stated that surplus requests without serial numbers will be returned to the submitting department. However, during our audit, we encountered a work order request for pickup of five electronic items, including three televisions, one DVD player, and one printer. No identifiable numbers were listed on the work order request that could confirm that these electronics were the same items that arrived back at the GSA Surplus warehouse.

Without listing required serial numbers or other identifying attributes, cell phones and other electronics cannot be properly tracked and are susceptible to misappropriation.

Management Action. GSA management stated:

"The **online surplus form improvements** suggested above are being addressed with the eform workflow discussed in the last paragraph of Management Action #1. For example, the comments fields have been addressed by separation of the description and comments fields and unneeded text will be removed and updated.

"The statement that 'procedures for cell phones required departments to list serial numbers for only the first 15 cell phones on the Online Surplus Form to accommodate departments transferring numerous cell phones at one time to GSA Surplus' is from an internal draft staff procedure that was shared with the Auditor-Controller staff early in the process of defining what our final surplus procedure would be. Upon further review, verification of serial numbers for both the department and surplus processing is deemed onerous. The County's Information Technology Asset Management Policy addresses cell phone tracking, reporting, and managing of these assets.

"The statement that '**surplus procedures for other electronics state that surplus requests without serial numbers will be returned...**' is from an internal draft surplus staff procedure that was shared with the Auditor-Controller early in the process of defining what our final surplus procedure for this category would be. Reference to 'other' electronics needing serial numbers was an error and, as discussed above, would be an onerous undertaking for surplus staff to administer."

- B. **Erasing of Confidential Data.** GSA Surplus did not always obtain confirmation that surplus County computers were wiped of confidential data before being sold. For example, our review of computers auctioned between January and May 2013 disclosed that seven surplus County laptops were sold on the public auction website. However, although computers were not commonly auctioned during 2013, documentation did not support that the department had wiped the laptops of confidential data in accordance with the County's *Confidential Personal Information Policy*.

Management Action. GSA management stated: "We agree that this could be an area of concern. As mentioned in 5.A) above, we will be modifying the form so that the department relinquishing a computer will clearly indicate that a data wipe or other data mitigation has been performed. Per the Information Technology Asset Management policy, each department is responsible for the proper handling and accounting of retired assets, including the formatting of hard disks. As it pertains to the 7 laptops, the GSA surplus agent received a verbal confirmation from the agency that submitted the surplus pickup that all data had been wiped from the laptops. In an effort to gauge whether County could get a better return by posting some computer devices on the Public Surplus auction site, GSA listed these items on the Surplus auction site."

- C. **Fixed Asset Transfer Approval.** Online Surplus Form instructions could be more explicit to ensure the department obtained the GSA Purchasing Agent's authorization to transfer fixed assets to GSA Surplus before listing the items for pickup/delivery. The fixed asset removal form ("IC-1 Form") requires the GSA Purchasing Agent's approval before disposing of fixed assets (i.e., items with an original value of \$5,000 or more). However, the Online Surplus Form instructions simply stated: "For Fixed Asset, please also complete the IC1 form." Emphasizing that fixed assets may not be listed on the Online Surplus Form until authorized by the GSA Purchasing Agent may help to alert departments of the proper procedure.

Management Action. GSA management stated: "We concur with this finding. Language will be modified on the new eform. In addition, the IC-1 form and the three previously mentioned administrative policies will change to mirror the fixed asset process. In the meantime, the Fixed Asset Inventory Control Policy and Fixed Asset Reporting Procedure have been posted for review and download on our Business Support intranet site to provide a point of reference."

6. **Surplus Property for County Reuse.** As a significant number of surplus property items are reissued each year to County departments for reuse, procedures were needed to strengthen controls over the process. Specifically, we found that departments may not be aware of employee requests for surplus property items, placing the items at risk of misappropriation without proper oversight. We also found that documentation for the transfer of the items to departments was not always sufficient.

A. **Notification.** Procedures could be improved to notify departments of employees utilizing the public auction website as an internal user. When registering for reuse of County property, employees certify that the department has authorized the employee to request surplus property. However, in the event that departments do not communicate internal user access restrictions to GSA, an unauthorized employee may inappropriately access the system because only the employee certifies the department's authorization. Further, reused items could be considered sensitive non-fixed assets (i.e., items with an original value below \$5,000 that are susceptible to misappropriation, such as laptop computers, cameras, etc.) that the receiving department needs to track in accordance with County Administrative Policy No. VII(B)-3, *County Sensitive Non-Fixed Asset Inventory Control*. Notifying the employee's supervisor or a central department contact when items are requested for reuse would provide the department with the information needed for monitoring.

Management Response. GSA management stated:

"Employees are encouraged to utilize the Surplus site. When a request for a reallocated item is processed, the person accepting the item will sign an internal surplus form acknowledging that the items they are accepting are for County reuse only. The original is provided to the employee and copy is filed by the Surplus Staff. In addition, upon registration on Public Surplus all employees acknowledge they understand that reallocated items are for County use only before they are allowed to request any surplus. Departments are better positioned to authorize and administer such internal surplus use. It is important that the surplus operation stay focused on encouraging the reuse of surplus products to reduce overall County cost, and not diminish that effort by assigning administrative tasks presumed to be in place by existing department management.

"It is currently not practical to conform with the notification suggested for each surplus item reused, which number in the thousands annually, but it is important to note that the GSA Director has submitted a memo to all County management outlining that surplus property reuse is encouraged via our participation with PublicSurplus.com. In that memo, managers are advised to recognize this activity and to advise GSA if there are any questions or concerns."

Auditor's Comment. We have noted that GSA management does not intend to implement corrective action in response to this finding, although we believe practical solutions exist to enable notification to departments. For example, transfer receipts could be revised to require identification of the employee's department, which would facilitate GSA's notification of the asset transfer to a

central contact in each of the County's 26 departments. Therefore, we continue to encourage GSA's action on this matter.

- B. **Receipts.** Recordkeeping procedures were in need of improvement to ensure that all transfers of County surplus property for reuse were documented with receipts signed by both the receiving department and GSA Surplus personnel. Specifically, GSA Surplus could not locate receipts for two (40%) out of the five surplus property transfers for reuse that we tested. Also, because procedures required only the customer to sign the receipt, the GSA Surplus staff member involved in the transfer could not be confirmed should questions arise.

Management Action. GSA management stated: "Written procedures are now in place and promoted through in-house training by the Staff Services Manager and Warehouse Coordinator. GSA Surplus staff now requires that whoever is picking an item up from the warehouse or when an item is delivered, that an agency representative sign the release form that says the item will only be used internally and is not for personal use, effectively relinquishing the surplus item to the new department. The surplus agent will also sign the form and provide a duplicate copy to the respective department. Surplus staff will also sign any documentation the agency requires."

7. **Public Auction Website Permissions.** Separate passwords and user rights were not always established for GSA Surplus personnel involved in posting surplus property to the public auction website. One account was shared by at least three GSA employees to carry out the functions necessary to post surplus property and to start/stop an auction. Therefore, actions performed while logged onto this account could not be traced to the individual who performed the actions if necessary. For example, an employee could stop an auction and misappropriate the item without traceability of specifically who did so. Also, assigning specific permissions to each account would ensure that actions are within delegated authority.

Management Action. GSA management stated: "The prior Inventory Management Assistant III/Warehouse Coordinator held primary responsibilities for posting and administering the online auction process until January 2013. The warehouse manager and the IMA assigned to the warehouse had user accounts but were rarely utilized. The current coordinator was given his own account January 2013. In August 2013 the Student Worker and the new IMA II in Surplus were given user specific accounts with access rights limited to their involvement in the process. In the Coordinators' absences the IMA II and Student worker post and communicate with Customers and the Warehouse Manager will release auctions. However, only the Warehouse Coordinator has expanded rights and the GSA Procurement Manager and Warehouse Manager have Admin rights."

8. **Metal Recycling Pickups.** Reconciling procedures were needed to ensure that GSA received the correct number of payments for scrap metal recycling bin pickups. The metal recycler did not leave documentation when a pickup occurred, and pickups were not always communicated by GSA Surplus warehouse personnel to the GSA employee who received the quarterly payment. Consequently, pickups of the metal recycling bins could fail to be paid and would not be caught. As metal recycling revenue for the GSA Surplus warehouse averaged \$12,000 annually over a 4-year period, communication is key in ensuring that payment is received for all pickups.

Management Action. GSA management stated: "The GSA Warehouse coordinator will contact the Counties metal recycler and arrange the pickup and will contact GSA Procurement's Management

Assistant once pick up is completed and a new bin is delivered. A pick-up slip will now be generated and then signed by the vendor.”

9. **Contracts with Recyclers/Auctioneers.** GSA did not always have contracts on file for surplus property recyclers/auctioneers. Specifically, for two (40%) out of five agreements with recyclers/auctioneers that we reviewed, GSA could only produce a proposal from each company, rather than a signed contract. This could call into question the rates paid to the County by these companies, as well as other expected County contract requirements, such as agreement term/length and liability insurance requirements. As County revenue from these two companies combined averaged \$15,000 annually over a 4-year period, written contracts subject to annual review were needed to define the agreements between the parties.

Management Action. GSA management stated: “Formal agreements for the two vendors were drafted. One is still under negotiation and one has been fully executed.”

10. **Written Procedures.** Several GSA surplus property policies and procedures needed revision to promote clarity and consistency in the surplus process. For example, our review disclosed the following concerns:

- County Administrative Policy No. Chapter VII(B)-8, *Disposition of Surplus Personal Property*, referred to “Form # PUR-1” for transferring non-fixed assets to GSA Surplus. However, this form had been replaced by the Online Surplus Form.
- County Administrative Policy No. Chapter VII(B)-8, *Disposition of Surplus Personal Property*, stated that GSA Surplus receives a copy of the IC-1 Form and contacts the department to coordinate pickup/delivery. This was not consistent with the IC-1 Form instructions, which stated that the form is returned to the department and that the department contacts GSA Surplus.
- County Administrative Policy No. Chapter VII(B)-4, *Furniture*, stated: “Facilities and Materials Department (GSA F&M) will administer the purchase, use and disposal of all furniture.” However, because the IC-1 Form was not cited in the policy for fixed assets removed by GSA F&M, departments may overlook processing the IC-1 Form to remove the items from the Ventura County Financial Management System.

Conflicting or unclear procedures may cause confusion for departments when disposing of County surplus property, resulting in improper disposal or improper accounting for fixed assets.

Management Action. GSA management stated: “Acknowledged and agreed. County Administrative Policies, IC-1 form instructions, and web documents need to be reviewed, clarified, and made consistent. Surplus internal workflow procedures will reflect and adhere to such policies. This effort is proceeding now and we anticipate completion by December, 2014.”

AUDITOR’S EVALUATION OF MANAGEMENT ACTION

Except for Finding 6(A), we believe that management actions taken or planned were responsive to the audit findings. Management planned to complete corrective actions by December 2014.