

DISTRICT OF COLUMBIA OFFICE OF THE INSPECTOR GENERAL

OIG Project No. 19-I-03PO

July 2019



OFFICE OF CONTRACTING AND PROCUREMENT:

District-Wide Participation in the Surplus Property Program Could Be Improved



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* Diversity * Measurement * Continuous Improvement*

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Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

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- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

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Excellence * Integrity * Respect * Creativity * Ownership
* Transparency * Empowerment * Courage * Passion
* Leadership



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



July 22, 2019

George Schutter
Chief Procurement Officer
Office of Contracting and Procurement
441 4th Street, N.W., Suite 700S
Washington, D.C. 20001

Dear Chief Procurement Officer Schutter:

Enclosed is our final report entitled *Office of Contracting and Procurement: District-Wide Participation in the Surplus Property Program Could Be Improved* (OIG Project No. 19-I-03PO). The primary objectives of this inspection, which was part of my Office's *Fiscal Year 2018 Audit and Inspection Plan*,¹ were to assess: (1) OCP's controls and procedures for safeguarding, marketing, selling, and disposing of surplus District government property; and (2) District agencies' use of the program. We conducted this inspection using quality standards promulgated by the Council of the Inspectors General on Integrity and Efficiency (CIGIE).²

The OIG sent a draft report to OCP for comment on May 13, 2019, and your response, a letter dated June 14, 2019, is both quoted in the body of the final report and presented in its entirety at Appendix E; additional OCP comments, sent via email in response to an OIG request for clarification, are also included in the body of the report. While OCP *disagreed* with 8 of the report's 10 recommendations, readers of this report will note that several of OCP's comments indicate your agency intends to follow the OIG's stated recommendation. Therefore, the OIG will communicate with your office at the end of the fiscal year to request an update on OCP's progress toward implementing many of the recommendations and other corrective actions cited in your response.

If you have questions about this report, please contact me or Edward Farley, Assistant Inspector General for Inspections and Evaluations at (202) 727-2540.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. Lucas", is written over the typed name.

Daniel W. Lucas
Inspector General

Enclosure

cc: See Distribution List

¹ OIG website, available at <http://oig.dc.gov>.

² CIGIE website, available at <https://www.ignet.gov/sites/default/files/files/iestds12.pdf>.

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Why the OIG Did This Inspection

This inspection was part of the OIG's *Fiscal Year 2018 Audit and Inspection Plan*, and resulted from the *2017 Procurement Practices Risk Assessment* that the OIG commissioned. Regarding the District's surplus property program, KPMG noted the need for improved awareness of the program, and that "[c]entralizing the process may increase the opportunity to maximize the recovery of the cost from the excess property, and minimize the possibility that the property is sold at [a] discounted price."¹

OCP's Surplus Property Division (SPD) coordinates with District agencies to dispose of surplus property, and oversees the work of the contractor (GovDeals, Inc.) that manages online auctions of District surplus property.

What the OIG Recommends

This report presents 10 recommendations to OCP in order to increase District agencies' awareness of the surplus property program and program effectiveness.

District-Wide Participation in the Surplus Property Program Could Be Improved

What the OIG Found

During this inspection, we found a lack of awareness and underutilization of OCP's surplus property program by District agencies. Contributing to this issue is the fact that a number of District agencies do not fall under the authority of the Chief Procurement Officer (CPO). Absent a requirement for these agencies to adhere to CPO policies, procedures, and direction, there exists an opportunity for OCP to proactively enter into surplus property disposition agreements with District agencies to increase participation and centralize the surplus property program.

We found that OCP could improve its oversight and administration of the GovDeals surplus property auction contract. The contract serves agencies not under the CPO's authority and the District could benefit from OCP entering into MOUs with these agencies, to ensure accurate contract administration and consistency of operations. Additionally, OCP could improve the process for auditing and approving the amount of auction revenue prior to auction proceeds being remitted by GovDeals. Doing so would ensure the District receives appropriate revenue, and the process is transparent and consistently administered.

We also found that OCP, in coordination with the Office of the Chief Technology Officer (OCTO), could lead efforts to improve data destruction practices. It is critical that sensitive and/or protected information stored on District surplus electronic devices (e.g., desktops, laptops, cellphones, copiers, scanners) is properly destroyed so that it cannot be accessed and exploited to perpetrate improper or illegal activity.

Finally, we found that OCP could increase the buyer's premium paid by a successful bidder to offset fees paid to GovDeals, which could save the District \$100,000 given the current level of annual auction sales (approximately \$4 million.) Additionally, OCP could include sales tax as part of the online transaction to bring additional revenue to the District, which could generate approximately \$240,000 in sales tax revenue annually, assuming a 6% tax rate.

¹ D.C. OFFICE OF THE INSPECTOR GENERAL, GOV'T OF THE DISTRICT OF COLUMBIA FISCAL YEAR 2017 PROCUREMENT PRACTICES RISK ASSESSMENT 14 (OIG Project No. 16-1-17MA July 2017), available at http://app.oig.dc.gov/news/PDF/release10/District_Procurement_Practices_Risk_Assessment.pdf (last visited July 11, 2019).

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BACKGROUND

The Office of Contracting and Procurement’s (OCP) mission is to “partner with vendors and District agencies to purchase quality goods and services in a timely manner and at a reasonable cost while ensuring that all purchasing actions are conducted fairly and impartially.”¹

Besides procuring goods and services, OCP manages the District’s property disposal program. OCP’s Surplus Property Division (SPD) coordinates with District agencies to dispose of surplus property and oversees the work of GovDeals, Inc., the contractor that manages online auctions of District surplus property. Typical online auction items include: passenger cars and trucks; Metropolitan Police Department and Fire and Emergency Medical Services Department vehicles; computers, copiers and other electronic equipment; office furniture; and tools and machinery. OCP’s approved fiscal year (FY) 2018 budget for the surplus property program consisted of \$1.4 million and eight full-time equivalents. In FYs 2015, 2016, and 2017, the sale of surplus property generated, on average, annual revenue of \$4.1 million. Between August 2011 and August 2018, revenue from SPD online auction sales totaled approximately \$28.4 million.²

OCP’s Authority Within the District

Not all District agencies are mandated to follow OCP policies, procedures, and direction and the authority of the District’s Chief Procurement Officer (CPO). There are District agencies subject to the Procurement Practices Reform Act of 2010 (PPRA) and the CPO’s authority; agencies subject to the PPRA and independent from the CPO’s authority; and agencies exempt from both the PPRA and the CPO’s authority.³ Appendix D of this report illustrates these designations.⁴

Prior OCP Internal Assessment of SPD

In November 2014, OCP’s Office of Procurement Integrity & Compliance (OPIC) published an assessment of the SPD that concluded: “Based on a review of operating procedures, interviews[,] and [the] tour of the warehouse facility and grounds, the surplus property physical, internal and access controls [were] adequate, and operations were performed in an efficient and effective manner.”⁵

¹ OCP, <https://ocp.dc.gov/page/about-ocp> (last visited Mar. 26, 2019).

² To view and download OCP’s most recent online auctions sales report, visit <https://www.slideshare.net/DCOCP/ocpspd-online-auctions-sales-report-september-2018-122571873> (last visited Jan. 11, 2019.)

³ A fourth designation, “Limited Applicability of the PPRA and Exemption from the CPO’s Authority,” covers the Council of the District of Columbia and the Office of Public-Private Partnerships. See https://ocp.dc.gov/sites/default/files/dc/sites/ocp/page_content/attachments/OCP%20District%20Agency%20Procurement%20Authority%20%28March%2031%2C2017%29.pdf (last visited Feb. 7, 2019).

⁴ OCP, <https://ocp.dc.gov/page/agencies-and-offices-served-ocp> (last visited Mar. 26, 2019).

⁵ GOV’T OF THE DISTRICT OF COLUMBIA OFFICE OF PROCUREMENT INTEGRITY & COMPLIANCE, SURPLUS PROPERTY DIVISION REVIEW 10, (Oct. 2014).

OIG's 2017 Procurement Practices Risk Assessment

D.C. Code § 1-301.115a (a)(3)(e) requires the OIG to conduct an operational audit of procurement activities within the District. Because of this mandate, in 2017, the OIG contracted with KPMG to conduct a District-wide procurement risk assessment to help identify high-risk systemic issues, practices, and incongruent rules and regulations for subsequent OIG oversight work related to the District's procurement continuum. The *2017 Procurement Practices Risk Assessment*⁶ found the surplus property program had the following risks:

Financial Impact

Not all agencies throughout the District presently appear to take advantage of the OCP online property disposal auction service, potentially failing to capitalize on opportunities to meaningfully repurpose District assets or benefit from additional public sales revenue. In fact, several of the agencies were unaware of the program. Excess District property is an asset that should be monetized in a consistent and effective manner....

Control Environment

The program ... is relatively new, and the policy and procedures around the program have not been subject to detailed review. Additionally, the existence and details of the program do not appear to have been effectively communicated to all agencies. These factors, combined with the program's limited assigned staff, increase the risk that appropriate items are not identified for auction each year. In addition, the auction itself is managed by external third parties, which requires OCP oversight of the vendor's IT and financial controls....

Economy and Efficiency

[W]e identified multiple agencies ... that were not aware of the OCP's online property surplus disposal program. The existence of this service and its potential advantages may benefit from improved marketing and organizational awareness Another agency was seeking to essentially replicate key aspects of the OCP program for their agency – until they learned of the OCP's program in the course of our ... discussions....

⁶ D.C. OFFICE OF THE INSPECTOR GENERAL, GOV'T OF THE DISTRICT OF COLUMBIA FISCAL YEAR 2017 PROCUREMENT PRACTICES RISK ASSESSMENT (OIG Project No. 16-1-17MA July 2017), *available at* http://app.oig.dc.gov/news/PDF/release10/District_Procurement_Practices_Risk_Assessment.pdf (last visited July 11, 2019).

Fraud, Waste, and Abuse

The proper disposal of surplus property has a higher risk profile because often there is limited centralized documentation that the excess property exists. Centralizing the process may increase the opportunity to maximize the recovery of the cost from the excess property, and minimize the possibility that the property is sold at [a] discounted price.

KPMG opined that resolution of the issues related to the program's design and execution, and agencies' participation should be OCP's responsibility. Therefore, the OIG's goal for this engagement was to collaborate with OCP to address these issues and improve the economy, efficiency, and administration of the District's surplus property program.⁷

FINDINGS

Overall, we found OCP could improve District agencies' use of its surplus property program, to include those agencies both within and outside the authority of the CPO. Additionally, OCP could improve its administration of their online auction contract, and ensure data destruction practices are standardized throughout the District. Finally, OCP should consider increasing its auction premium fees and assessing sales tax to bring additional revenue to the District.

OCP'S RESPONSIBILITY AND AUTHORITY TO MANAGE SURPLUS PROPERTY ARE NOT ADEQUATELY DEFINED OR COMMUNICATED TO DISTRICT GOVERNMENT ENTITIES

Our review of the PPRA, DCMR, information available through OCP's website, and interviews with OCP employees indicates that OCP's responsibility and authority to manage the District's surplus property are not clearly defined or prominently publicized, which contributes to a lack of awareness and underutilization of the surplus property program by District agencies.

According to D.C. Code § 2-352.04, the CPO's authority and responsibilities include:

(b)(2) identify gaps, omissions, or inconsistencies in procurement laws, rules, and policies, or in laws, rules and policies affecting procurement-related activities, and to recommend changes to laws, rules, and procedures;....

* * *

⁷ OCP's Surplus Property Division also serves as the District's state agency responsible for administering the Federal Surplus Property Assistance Program (FSPAP), which is a "state-run federal program for the donation of federal surplus property to public, tax-supported entities and eligible private nonprofit tax-exempt organizations." (See <https://ocp.dc.gov/page/federal-surplus-property-program> for additional information.) The scope of our engagement did not include OCP's administration of the FSPAP.

(b)(10) sell, trade, or otherwise dispose of surplus goods belonging to the District government;....

Further, D.C. Code § 2-358.01(2) states:

The CPO shall issue rules governing:...

[t]he sale, lease, disposal, or transfer of surplus goods by public auction, competitive sealed bidding, competitive electronic sales, or other appropriate method designated by rule....

Title 27 DCMR § 901.1 identifies additional responsibilities for the CPO to include:

The Director shall delegate to the Chief Property Disposal Officer (CPDO) specific responsibilities that include: ...

(b) [a]cting as the Chief of the SPD for purposes of disposing of District surplus personal property in accordance with District law and regulations governing the sale, donation, and transfer of District surplus property; [and]

(c) [m]aximizing the investment recovery value of surplus personal property and effective oversight and management of personal property utilization....

Title 27 DCMR § 900.2 defines OCP's responsibilities to include:

The Office of Contracting and Procurement Surplus Property Division (SPD) is responsible for effecting the fair and equitable distribution of District surplus personal property, whether by sale, donation, or transfer....

Agencies subject to the PPRA and the CPO's authority. These agencies must employ OCP SPD's services to dispose of surplus property, but they (and OCP) would benefit from additional guidance, perhaps in a comprehensive Mayor's Order and updated content on OCP's website. District agencies' awareness and utilization of the program are inconsistent largely because there is no clear, well-communicated requirement they involve SPD to dispose of their surplus property. For SPD to meet its responsibilities, agencies subject to the CPO's authority must engage SPD in their surplus disposition process. During interviews with OCP, we learned that SPD personnel work diligently to establish and maintain productive relationships with property officers⁸ throughout District government, and those efforts have yielded quantifiable results.

⁸ In addition, as set forth at 27 DCMR § 902.2 each District agency director must designate in writing to the Chief Property Disposal Officer (CPDO) an agency employee to serve as the Accountable Property Officer (APO). In accordance with 27 DCMR § 902.3(d) the APO shall be responsible for, among other things: "[a]pproving transfers of, accounting for, and reporting dispositions of agency personal property to SPD by utilizing the property disposal action form."

Agencies subject to the PPRA but independent from the CPO’s authority. Such agencies include the Department of General Services, D.C. Public Library, D.C. Public Schools, and the University of the District of Columbia. From our reading of D.C. Code and DCMR, it is unclear whether these agencies must employ SPD’s services. If these agencies are not required to employ SPD’s services, OCP could enter into surplus property disposition agreements with them⁹ in furtherance of helping OCP improve the economy, efficiency, and its administration of the surplus property program, and carry out OCP’s responsibility to “sell, trade, or otherwise dispose of surplus goods belonging to the District government.”

Agencies exempt from the PPRA and the CPO’s authority. At least two such agencies – the District of Columbia Water and Sewer Authority (DC Water) and the United Medical Center¹⁰ – are serviced under OCP’s contract for online auction service with GovDeals, Inc. Given this precedent, OCP could request other exempted agencies to enter into surplus property disposition agreements.

OCP’s website states that SPD manages the District’s online sales of surplus assets, provides useful information both to District agencies and interested bidders on how to participate in online sales, and identifies several “participating” agencies. The information on OCP’s website, even when read with the D.C. Code and DCMR, does not sufficiently inform all agencies of their responsibilities in managing surplus property. Unless included in a disposition agreement with OCP, surplus property processes at agencies exempt from the CPO’s authority are not subject to external oversight, a condition that (1) limits the District’s capacity to maximize revenue from the sale of surplus property, and (2) increases the likelihood that valuable District surplus property is not consistently and properly safeguarded and dispositioned.

We recommend that the Chief Procurement Officer:

1. Work with the Executive Office of the Mayor to issue written guidance that outlines OCP’s authority and responsibilities, and agencies’ obligation to involve OCP’s SPD in the disposition of surplus District property.

Agree _____ Disagree X

OCP’s June 2019 Response to Recommendation 1, As Received:¹¹ *OCP already issues clear guidance and written instructions to all District agencies, including those agencies under the CPO’s authority and subject to the PPRA, those agencies independent of the CPO’s authority but subject to the PPRA and those agencies exempt from both the CPO’s authority and the PPRA, that outline OCP’s authority and responsibilities with respect to*

⁹ D.C. Code § 2-358.02a (a) states that the CPO “may enter into an agreement with a District agency not otherwise under the authority of the CPO, including an independent agency or a public charter school, to sell its surplus goods.” OCP may also “charge an administrative fee of 6% of gross proceeds for the sale of surplus property sold pursuant to an agreement entered into under this section. The administrative fees shall be deposited into the Surplus Property Sales Fund” *Id.* § 2-358.02a (b).

¹⁰ The GovDeals contract references “United Medical Center,” which is also referred to as the Not-for-Profit Hospital Corporation, the entity statutorily created in 2010 to operate the hospital. See <https://united-medicalcenter.com/about-us/history-and-milestones.html> (last visited Feb. 7, 2019).

¹¹ The full text of OCP’s June 2019 Response to the draft report is in Appendix E.

surplus District property, including the agencies' obligation to involve OCP's SPD in the disposition of District surplus property, in the following ways:

- 1) Pursuant to the authority granted in the Procurement Practices Reform Act of 2010, OCP has issued rules adopted at Title 27 DCMR Chapter 9 that governs surplus property and directly addresses the areas highlighted by the OIG.*
- 2) OCP distributes a memo to each agency director requesting designations of such agency's accountable property officers and alternate accountable property officers (collectively, APOs) in accordance with Title 27 DCMR Chapter 9.*
- 3) OCP gives further guidance and instructions to the APOs through OCP's annual Property Officers' Summit (a meeting hosted by OCP for APOs) and OCP's Surplus Property Procedure Manual, which is available on OCP's intranet website.*
- 4) OCP collaborated with the Office of the Chief Financial Officer (OCFO) members including the Office of Finance and Resource Management (OFRM) and the Office of Financial Operations and Systems (OFOS) to further build the network of centralized disposal guidance, instruction and procedure concerning District Surplus Property.*
- 5) OCP hosted and trained the Accountants/Asset Managers from OFOS on the property disposal process at its Adams Place location in FY18.*
- 6) OFOS has included the property disposal guidance from OCP in OCFO's Policies and Procedures Manual, which is available on OCFO's intranet website.*

Additionally, OCP has partnerships with independent agencies like the University of the District of Columbia (UDC), which promotes the usage of OCP's property disposal procedures. UDC has incorporated OCP's property disposal forms and processes into their operational procedures and the information is posted on their website.

As a general matter, OCP is not aware of any other District agency that has or seeks to have a program that handles the disposition of District surplus property. OCP has strong partnerships with District agencies and has not encountered any pushback from agencies regarding OCP's authority or responsibility as it relates to the disposition of District surplus property.

Here are the links to OCP and OCFO Procedures Manuals with guidance and/or instructions regarding SPD:

- [https://sharepoint.cfo.in.dc.gov/OFOS/Policies%20and%20Procedures/Financial%20Procedures%20\(Volume%20I%20-%20District%20wide%2011-6-18.pdf](https://sharepoint.cfo.in.dc.gov/OFOS/Policies%20and%20Procedures/Financial%20Procedures%20(Volume%20I%20-%20District%20wide%2011-6-18.pdf)*
- <http://dcrules.elaws.us/dcmr/27-902>*
- <https://ocp.in.dc.gov/page/surplus-property>*

- http://docs.udc.edu/misc/PROPERTY_DISPOSAL_ACTION.pdf

OIG Comment: Although OCP disagreed with this recommendation, stating that it “already issues clear guidance and written instructions to all District agencies” concerning the use of its Surplus Property Division, OCP did concede later in its response that “appropriate legislation, policy, or [MOUs] should be established that can effectuate the promulgation of OCP’s current data destruction standards.” The OIG believes this fragmentation between surplus property disposal and data destruction policies should be remedied, which would ultimately ensure all District agencies are leveraging OCP’s surplus property program, while ensuring uniform data destruction practices. OCP should reconsider the need to have District-wide policy, which clearly identifies itself as the proponent for all District surplus property disposal.

2. Update the content on ocp.dc.gov to more prominently and effectively publicize OCP’s authority and agencies’ obligations regarding the disposition of surplus District property.

Agree _____ Disagree X

OCP’s June 2019 Response to Recommendation 2, As Received: OCP currently issues prominent and effective guidance to agencies on OCP’s intranet site, which is accessible to all District agencies and their employees. Here is the link:

<https://ocp.in.dc.gov/page/surplus-property>

OIG Comment: As identified in the OIG’s 2017 *Procurement Practices Risk Assessment*, several District agencies were either unaware of OCP’s Surplus Property Division and/or conducting duplicative surplus property disposal programs. Notwithstanding OCP’s Surplus Property Disposal Intranet site, and requirements found in the PPRA and DCMR, OCP still has an opportunity to enhance District agency awareness about its responsibilities as it pertains to surplus property disposal.

3. Request each agency subject to the PPRA but independent from the CPO’s authority enter into a surplus property disposition agreement with OCP.

Agree _____ Disagree X

OCP’s June 2019 Response to Recommendation 3, As Received: Pursuant to D.C. Code § 2-352.01(b), certain District agencies are independent from the CPO’s authority in the conduct of procurements but are required to conduct procurements in accordance with the PPRA and pursuant to 2-351.05(a), these agencies remain subject to the requirements of the PPRA. The PPRA at D.C. Code § 2-358.01 provides that the CPO shall issue rules governing (1) the management of goods during their entire life cycle and (2) the sale, lease, disposal, or transfer of surplus goods by public auction, competitive sealed bidding, competitive electronic sales, or other appropriate method designated by rule; provided, that no employee of the disposing agency shall be entitled to purchase any surplus goods. Accordingly, the PPRA and the rules enacted by the CPO governing

the disposition of surplus property at Title 27 DCMR Chapter 9 apply to these agencies. OCP believes 27 DCMR § 900 makes it clear that OCP SPD is responsible for distribution of District surplus personal property, whether by sale, donation, or transfer. Accordingly, OCP does not believe it is necessary to enter into a surplus property disposition agreement with such agencies.

Further, when considering the cost versus the benefit of entering into a surplus disposition agreement with each such agency, OCP believes this would place an undue burden on OCP and its limited resources. In certain unique circumstances where it is necessary to document the chain of custody or unique origin of certain assets, OCP will enter into a surplus property disposition agreement with the affected agency, however OCP does not view this as necessary in the general course. For example, OCP has an agreement with the Office of Tax Revenue (OTR) to provide disposal and auction services for personal property originating from tax seizures.

OCP is currently conducting business and providing services to all District agencies, including those agencies under the CPO's authority and subject to the PPRA, those agencies independent of the CPO's authority but subject to the PPRA and those agencies exempt from both the PPRA and the CPO's authority. The agencies are being serviced in at least one of the following three categories of disposal services provided by OCP's SPD:

- 1) Disposal of the agencies' surplus property.*
- 2) Access to other agencies: surplus property through reutilization.*
- 3) Access to the federal surplus property through GSA and GSAXcess.*

OIG Comment: After receiving the above response, the OIG asked OCP to confirm its position that OCP is responsible for all surplus property at all agencies subject to the PPRA. OCP responded: *“To the extent an agency has determined that it has surplus personal property that such agency wishes to distribute, OCP believes the PPRA and 27 DCMR Chapter 9 provide the mechanism for doing so via the CPO and SPD.”* The OIG believes that OCP's responses on this subject are not clear and direct, and illustrate the need for new written guidance that outlines OCP's authority and responsibilities.

Also, the Memorandum of Understanding between OCP and OTR that OCP cites in its response went into effect on October 1, 2018, and will expire on September 30, 2019. OCP and OTR may extend the period of the agreement by up to four 1-year option periods.

4. Request each agency exempt from both the PPRA and the CPO's authority enter into a surplus property disposition agreement with OCP.

Agree _____ Disagree X

OCP's June 2019 Response to Recommendation 4, As Received: *OCP does not believe it is necessary to enter into a surplus property disposition agreement with each agency exempt from the PPRA and the CPO's authority. OCP communicates to these agencies regarding SPD and requests designation of an APO. When the cost versus the benefit is considered for entering into an agreement with each such agency, OCP believes this would place an undue burden on OCP and its limited resources. In certain unique circumstances where it is necessary to document the chain of custody or unique origin of certain assets, OCP will enter into a surplus property disposition agreement with the affected agency, however OCP does not view this as necessary in the general course. For example, OCP had an agreement with the Not-For-Profit Hospital Corporation and is negotiating an agreement with DC Water in light of the unique assets from these agencies.*

OCP is currently conducting business and providing services to all District agencies, including those agencies under the CPO's authority and subject to the PPRA, those agencies independent of the CPO's authority but subject to the PPRA and those agencies exempt from both the PPRA and the CPO's authority. The agencies are being serviced in at least one of the following three categories of disposal services for OCP's SPD:

- 1) Disposal of the agencies' surplus property.*
- 2) Access to other agencies: surplus property through reutilization.*
- 3) Access to the federal surplus property through GSA and GSAXcess.*

OIG Comment: Absent uniform guidance for the use of OCP's Surplus Property Division, a memorandum of agreement with agencies outside of the CPO's authority and not subject to the PPRA will ensure uniform usage of the program. Uniform usage of OCP's surplus property program reduces the cost to the District in terms of duplicative activities and also reduces the risk of inadequate data destruction for the District.

Also of note, the Memorandum of Agreement (MOA) between OCP and the Not-For-Profit-Hospital Corporation (NFPHC) that OCP cites in its response went into effect on May 6, 2014 and expired on September 30, 2014, and could have been extended by a maximum of two 1-year option periods. Given OCP's comment regarding NFPHC's "unique assets," the OIG recommends that OCP enter into a new MOA with NFPHC.

OCP CAN IMPROVE ITS ADMINISTRATION OF THE GOVDEALS CONTRACT

GovDeals, Inc. has hosted and administered sales of District surplus property on its online auction system since 2013.¹² OCP's Chief Property Disposal Officer (CPDO) serves as the Contract Administrator (CA). OCP's surplus property online auction contract identifies entities

¹² To view active auctions of District surplus property, visit www.dcgovt.govdeals.com. OCP's first contract with GovDeals, with a base year and 4 option years, was executed in May 2013. OCP and GovDeals entered into a new, similarly structured contract in March 2018.

that are exempt from OCP oversight and the CPO's authority. For revenues generated through the online auction, OCP did not have written processes in place to verify the revenue generated via auction prior to the contractor remitting auction sale proceeds.

Agreements with Entities Served Under GovDeals Contract. OCP stated that it does not have MOUs or surplus property disposition agreements in place with any District entities. Under Section 8 of the Government of the District of Columbia Task Order/Delivery Order for Services (Task Order No. CW58984), the GovDeals auction platform supports surplus property sales for several District entities, "including, but not limited to, revenues generated by the Disposition of the District's Surplus Personal Property, Metropolitan Police Department (MPD's) Excess Surplus (sic) Personal Property, Department of [Public] Work's (sic) (DPW) Abandoned Property, OCP Surplus Property Division, MPD Evidence, DC Water, EOM (Executive Office of the Mayor), UMC (United Medical Center), and (Office of Tax and Revenue)." To ensure accurate contract administration and consistent operations, OCP should enter into an MOU or similar agreement with each District entity served by GovDeals' online auction platform.

We recommend that the Chief Procurement Officer:

5. Enter into a surplus property disposition agreement with each entity served under OCP's contract with GovDeals.

Agree _____ Disagree X

OCP's June 2019 Response to Recommendation 5, As Received: Note that GovDeals and OCP are the contracting parties under the GovDeals contract and OCP actively manages and directs GovDeals in the administration of the contract. Under the GovDeals contract, OCP operates accounts based on the property type being sold. The property associated with each account and the District agency of origin for such property is tracked by OCP. Assets in each account are treated similarly without regard to which agency such assets originate from. The terms of the GovDeals contract applies to all activities thereunder regardless of which agency the assets originate from. The GovDeals contract is available to all District agencies participating in the program. In addition, OCP provides guidance regarding the GovDeals auction platform in OCP's Surplus Property Procedural Manual. OCP does not believe it is necessary to enter into agreements with each entity served under the GovDeals contract.

OIG Comment: For District agencies utilizing the contract, yet not subject to the CPO's authority, a memorandum of agreement will ensure uniform usage of the GovDeals' online auction platform. Agreements will ensure responsibilities and expectations are clearly defined.

Document the Auction Revenue Verification Process. OCP did not appear to have a written procedure for auditing and approving the auction revenue prior to the sale proceeds being remitted by the contractor. Per the contract, GovDeals is required to "wire/check [sic] the revenues to the District's Office of Finance and Treasury, without any deductions, on a [sic]

information security policies developed by the Office of the Chief Technology Officer.

The SPD operates a secure Data Destruction Unit that receives and inspects computers, and destroys the hard drives prior to disposition of the computers (e.g., online auction, recycling), to prevent disclosure and use of stored data. SPD procedures detail mandatory data destruction practices, and designated testing officials at SPD document and certify their activities.

Thorough, consistent data destruction (the practice of removing and destroying information stored on electronic devices such as desktops, laptops, cellphones, copiers, and scanners) is critical to (1) minimize the possibility that sensitive and/or protected information (e.g., Social Security numbers, tax information, health records, law enforcement records) stored on District surplus property can be accessed and exploited to perpetrate illegal activity, and (2) prevent disclosures prohibited by law.

We recommend that the Chief Procurement Officer:

7. Request the Office of the Chief Technology Officer provide OCP an assessment of the SPD's data destruction practices and ensure they comply with the PPRA and industry standards.

Agree _____ Disagree X

OCP's June 2019 Response to Recommendation 7, as Received: *OCP has a strong partnership with OCTO. The current SPD data destruction practices were put in place in consultation with OCTO pursuant to industry standards. In consultation with OCTO, we can confirm practices remain in line with current industry standards and are supported by OCTO. OCP does not believe these practices conflict with the provisions of the PPRA.*

OIG Comment: Having reviewed OCP's current written procedures regarding data destruction, the OIG stands by its recommendation that OCTO provide an assessment of SPD's data destruction practices. (See Appendix F for OCP's current written procedures regarding data destruction.)

Also, after receiving OCP's response to the draft report, the OIG asked OCP to provide its interpretation of D.C. Code § 2-358.02(c), which states: "The CPO shall ensure that all policies for transferring computers or other information technology goods follow data and information security policies developed by the Office of the Chief Technology Officer." OCP provided this response: "*Each agency is responsible for establishing its internal policies and has an obligation to ensure that such policies comply with applicable law and rules, including the PPRA and DCMR as applicable. The PPRA at D.C. Code § 2-358.02 governs the disposition of surplus goods. Accordingly, once an agency determines that it has surplus goods for disposition and provides such goods to the OCP SPD for disposition, OCP SPD ensures that such disposition is done in accordance with applicable laws, rules and policies. For computers or other information*

the buyer’s premiums and sales tax rates GovDeals assesses on auctions of other states’ surplus property.¹⁴

Table 1: Sample of Other States’ Sales Tax Rates and Buyer’s Premium Rates Collected through GovDeals Online Auctions¹⁵

State	Sales Tax Rate Imposed on Online Auction Sales of Surplus Property	Buyer’s Premium Rate Imposed on Online Auction Sales of Surplus Property
CA	7.75%	10%
FL	7.00%	10%
MD	6.00%	None
NJ	None	5.00-12%
OH	None	10%
WA	0-8.90% ¹⁶	7.00% ¹⁶

Source: GovDeals.com auction postings

OCP could offset the 2.5%-per-transaction loss to the District from transaction fees paid to GovDeals by increasing the buyer’s premium rate. Further, OCP could generate additional revenue for the District by assessing sales tax on each transaction. Given the current annual revenue from District online auction sales (approximately \$4 million), raising the buyer’s premium to 7.5% could save the District \$100,000 in fees assessed by GovDeals. Additionally, OCP could generate additional revenue for the District by including sales tax (6%) on each auction transaction. Assuming \$4 million in annual auction revenue, the District could generate an additional \$240,000 in sales tax revenue. The amount of revenue generated from sales tax would likely increase as OCP improves surplus property program awareness with District agencies.

We recommend that the Chief Procurement Officer:

- Evaluate an increase in the District’s buyer’s premium rate, to fully offset the fees the District pays to GovDeals.

Agree _____ Disagree X

OCP’s June 2019 Response to Recommendation 9, as Received: OCP regularly evaluates the buyer’s to determine what fee structures would bring maximum asset recovery for the District as part of our disposal processes. This year additional market research is being evaluated and OCP will make adjustments if needed as part of the contract renewal and option execution process.

¹⁴ During our review of information on GovDeals, the OIG noted that other entities in these states, e.g., cities, counties, public universities, impose tax and buyer’s premiums on their online auctions differently than the surplus agency for the state in which they are located does.

¹⁵ The list is not inclusive.

¹⁶ In addition to a 7% buyer’s premium, GovDeals collects a 3% “admin fee” on the sales of Washington state surplus property. It appears that sales tax of 8.9% is also collected on surplus items with the exception of surplus vehicles.

OIG Comment: OCP disagreed with the OIG’s recommendation that it “evaluate an increase in the District’s buyer’s premium rate,” yet, states “additional market research is being evaluated and [we] will make adjustments if needed...” It appears OCP intends to follow the OIG’s recommendation.

10. Coordinate with the Office of the Chief Financial Officer (OCFO) to determine whether sales tax could be applied to online auction sales.

Agree _____ Disagree X

OCP’s June 2019 Response to Recommendation 10, as Received: OCP already coordinates with OCFO on SPD sales. Both agencies have engaged in discussions concerning sales tax and admin fees for surplus property auctions and will continue those conversations and engagements to help determine what changes, if any, should be made and the best approach to achieve a favorable outcome for the District. For example, regarding sales tax and automobile sales, which makeup a very large percentage of surplus property auctions, OCP and OCFO determined that since the buyers pay tax on the vehicles at the time of registration, the District may not be able to collect a sales tax at the point of auction closing. Regarding applying admin fees to surplus property auctions, OCP has determined that there will be a cost in administering such a fee, which will include modifying the auction platform to incorporate the fee as well as the administrative costs of physically collecting, accounting for, and providing compliance oversight of the fees applied and collected. Thus, the cost of administering an admin fee may negate any perceived revenue increase.

From a larger economic standpoint, OCP believes that the desire for increased revenue through sales tax and/or admin fees must be balanced against the economic realities of the marketplace. More specifically, the price paid is the result of a public auction where every price bid is seen by the public and the winner is the bidder who bids the highest. The bidder's pricing is set by the market and where else the item can be purchased. The price that will be paid, based on the market, will be the same whether that price incorporates a fee or not. For example, if a buyer is buying an end-of-life sedan from the platform, they are pricing based on the cost of other sedans in the marketplace (e.g., at other dealers). So, the price point of the sale will be XX whether that price out the door incorporates a percentage fee or not.

OIG Comment: OCP stated it and OCFO “have engaged in discussions concerning sales tax and admin fees ... and will continue these conversations.” Despite its disagreement, it appears OCP intends to follow the OIG’s recommendation.

CONCLUSION

OCP has an opportunity to centralize and increase participation in its surplus property program to include agencies both under the authority of the CPO and OCP, as well as those agencies exempt from its authority. In doing so, the District can realize efficiencies by reducing duplicative efforts and affect a consistent process that supports the underlying purpose of the surplus

property program. Additionally, by centralizing the sale and disposal of surplus property, the District would also minimize the risk of data disclosures prohibited by law. Finally, the District has an opportunity to generate additional revenue by increasing the buyer's premium rate on surplus property auction sales, as well as exploring the feasibility of charging sales tax on each transaction.

APPENDIX A. OBJECTIVES, SCOPE, METHODOLOGY

This inspection resulted from the *2017 Procurement Practices Risk Assessment*¹ that was commissioned by the OIG and completed by KPMG LLP. KPMG opined that resolution of the issues related to the program's design and execution, and agencies' participation should be OCP's responsibility. Therefore, the OIG's goal for this engagement was to collaborate with OCP to address these issues and improve the economy, efficiency, and administration of the surplus property program.

The primary objectives of this inspection were to assess: (1) OCP's controls and procedures for safeguarding, marketing, selling, and disposing of surplus District government property; and (2) District agencies' use of the program. OIG inspections are conducted under standards established by the Council of the Inspectors General on Integrity and Efficiency.

During this inspection, the OIG reviewed the D.C. Code, D.C. Municipal Regulations, OCP procedures, and publicly available information regarding other jurisdictions' surplus property programs; and conducted interviews and corresponded with OCP employees.

¹ OIG website available at <http://oig.dc.gov>.

APPENDIX B. LIST OF RECOMMENDATIONS

We recommend that the Chief Procurement Officer:

- (1) Work with the Executive Office of the Mayor to issue written guidance that outlines OCP's authority and responsibilities and agencies' obligation to involve OCP's SPD in the disposition of surplus District property.
- (2) Update the content on ocp.dc.gov to more prominently and effectively publicize OCP's authority and agencies' obligations regarding the disposition of surplus District property.
- (3) Request each agency subject to the PPRA but independent from the CPO's authority enter into a surplus property disposition agreement with OCP.
- (4) Request each agency exempt from both the PPRA and the CPO's authority enter into a surplus property disposition agreement with OCP.
- (5) Enter into a surplus property disposition agreement with each entity served under OCP's contract with GovDeals.
- (6) Document the auction revenue verification process cited in the GovDeals contract.
- (7) Request the Office of the Chief Technology Officer provide OCP an assessment of the SPD's data destruction practices and ensure they comply with the PPRA and industry standards.
- (8) In coordination with OCTO, implement a plan to increase awareness and improve data destruction practices at District agencies.
- (9) Evaluate an increase in the District's buyer's premium rate, to fully offset the fees the District pays to GovDeals.
- (10) Coordinate with the Office of the Chief Financial Officer (OCFO) to determine whether sales tax could be applied to online auction sales.

APPENDIX C. ACRONYMS AND ABBREVIATIONS

CA	Contract Administrator
CPDO	Chief Property Disposal Officer
CPO	Chief Procurement Officer
CTO	Chief Technology Officer
DCMR	D.C. Municipal Regulations
FSPAP	Federal Surplus Property Assistance Program
FY	Fiscal Year
GAO	Government Accountability Office
OCTO	Office of the Chief Technology Officer
OIG	Office of the Inspector General
OPIC	Office of Procurement Integrity and Compliance
PPRA	Procurement Practices Reform Act
SPD	Surplus Property Division

APPENDIX D. DISTRICT AGENCIES' PROCUREMENT AUTHORITIES

DISTRICT AGENCY PROCUREMENT AUTHORITY (as of 3/31/2017)

	Agencies Subject to the Procurement Practices Reform Act of 2010 (PPRA) and the CPO's Authority ¹	Agencies Subject to the PPRA and Independent from the CPO's Authority	Agencies Exempt from the PPRA and the CPO's Authority	Limited Applicability of the PPRA and Exemption from the CPO's Authority
1	Alcoholic Beverage Regulatory Administration	Child and Family Services Agency ⁵	Commission on Judicial Disabilities and Tenure ⁷	Council of the District of Columbia ¹⁰
2	Board of Ethics & Government Accountability	Department of General Services ²	District of Columbia Advisory Neighborhood Commissions ⁸	Office of Public-Private Partnerships ¹¹
3	Board of Elections and Ethics	Criminal Justice Coordinating Council ⁶	District of Columbia DC Auditor ⁸	
4	Department of Behavioral Health	District of Columbia Housing Authority ⁵	District of Columbia Courts ⁸	
5	Commission on the Arts and Humanities	District of Columbia Public Library ⁵	District of Columbia Housing Finance Agency ⁵	
6	Contract Appeals Board	District of Columbia Public Schools ⁶	District of Columbia Water and Sewer Authority ⁸	
7	Department of Consumer and Regulatory Affairs	Office of the Chief Financial Officer ⁵	District Public Defender Service ⁸	
8	Department of Corrections	DC Lottery and Charitable Games Control Board ⁷	Judicial Nomination Commission ⁸	
9	Department of Disability Services	Office of Finance and Resource Management ⁵	Not-for-Profit Hospital Association ⁸	
10	Department of Employment Services	Office of the People's Counsel ⁶	Washington Convention and Sports Authority ⁸	
11	Department of Health	Public Service Commission ⁵	Captive Insurance Agency ³	
12	Department of Health Care Finance	University of the District of Columbia ⁶	Health Benefits Exchange Authority ⁹	
13	Department of Housing and Community Development	Office of the Attorney General ⁶	District of Columbia Retirement Board	
14	Department of Human Resources			
15	Department of Human Services			
16	Department of Insurance, Securities and Banking			
17	Department of Motor Vehicles			
18	Department of Parks and Recreation			
19	Department of Public Works			
20	Department of Small and Local Business Development			
21	Department of Transportation			
22	Department of Youth Rehabilitation Services			
23	DC National Guard (DC employees only)			
24	DC Sentencing and Criminal Code Revision Commission			
25	DC Taxicab Commission			
26	District Department of the Environment			
27	Executive Office of the Mayor			
27A	Deputy Mayor for Education			
27B	Mayor's Office of Boards and Commissions			

APPENDIX D. DISTRICT AGENCIES' PROCUREMENT AUTHORITIES

DISTRICT AGENCY PROCUREMENT AUTHORITY (as of 3/31/2017)

Agencies Subject to the Procurement Practices Reform Act of 2010 (PPRA) and the CPO's Authority ¹	Agencies Subject to the PPRA and Independent from the CPO's Authority	Agencies Exempt from the PPRA and the CPO's Authority	Limited Applicability of the PPRA and Exemption from the CPO's Authority
27C	Office of Community Affairs		
27D	Office of Justice Grants Administration		
27E	Office of Lesbian, Gay, Bisexual and Transgender Affairs		
27F	Office of Partnership and Grant Services		
27G	Office of Policy and Legislative Affairs		
27H	Office of Risk Management		
27I	Office of the City Administrator		
27J	Office of the Deputy Mayor for Planning and Economic Development ²		
27K	DC Workforce Investment Council ²		
27L	Office of General Counsel to the Mayor		
27M	Office of the Secretary		
27N	Office of Victim Services		
27O	Office on African Affairs		
27P	Office on Asian and Pacific Islander Affairs		
27Q	Office on Latino Affairs		
27R	Office on Women's Policy and Initiatives		
27S	Ombudsman for Public Education		
27T	Serve DC		
27U	Deputy Mayor for Health and Human Services		
27V	Deputy Mayor for Public Safety, Justice and Operations		
28	Fire and Emergency Medical Services Department		
29	Homeland Security and Emergency Management Agency		
30	Metropolitan Police Department		
31	Office of Administrative Hearings		
32	Office of Cable Television, Film, Music, and Entertainment		
33	Office of Campaign Finance		
34	Office of Contracting and Procurement		
35	Office of Employee Appeals		
36	Office of Human Rights		
37	Office of Labor Relations and Collective Bargaining		
38	Office of Labor Management Programs		
39	Office of Planning		
40	Office of Police Complaints		
41	Office of Unified Communications		

APPENDIX D. DISTRICT AGENCIES' PROCUREMENT AUTHORITIES

DISTRICT AGENCY PROCUREMENT AUTHORITY (as of 3/31/2017)

Agencies Subject to the Procurement Practices Reform Act of 2010 (PPRA) and the CPO's Authority ¹	Agencies Subject to the PPRA and Independent from the CPO's Authority	Agencies Exempt from the PPRA and the CPO's Authority	Limited Applicability of the PPRA and Exemption from the CPO's Authority
42	Office of Veterans Affairs		
43	Office of the Chief Technology Officer		
44	Office of the Inspector General ²		
45	Office of the Chief Medical Examiner		
46	Office of the State Superintendent of Education		
47	Office of the Tenant Advocate		
48	Office of Disability Rights		
49	Office of Zoning		
50	Office on Aging		
51	Department of Forensic Sciences		
52	Public Employees Relations Board		
53	Real Property Tax Appeals Commission		
54	Police and Firefighter's Recruitment and Relief Board		
55	State Board of Education		
<p>¹ The CPO's authority is pursuant to §201(a)(1) of the District of Columbia Procurement Practices Reform Act of 2010 (PPRA), effective April 8, 2011 (D.C. Law 18-371; DC Official Code §2-352.01(a)(1)).</p> <p>² On September 14, 2011, the Department of General Services Establishment Act of 2011 (DC Law 19-20) became effective. This Act established the Department of General Services (DGS) as subject to the PPRA but independent of the CPO.</p> <p>³ Effective June 1, 2009, the Office of the Deputy Mayor for Planning and Economic Development was delegated contracting authority pursuant to Mayor's Order 2009-88, the Delegation of Authority to the Deputy Mayor for Planning and Economic Development - Contracting and Procurement Authority. The D.C. Workforce Investment Council is a private/public partnership under DMPED's authority.</p> <p>⁴ Section 201(c) of the PPRA authorizes the Inspector General to contract for the services of accountants, lawyers, and other experts when they determine and state in writing that good reason exists why the services should be procured independently of the CPO.</p> <p>⁵ Section 201(b)(7) of the PPRA provides that the Child and Family Services Agency shall not be subject to the authority of the CPO until no longer subject to court order.</p> <p>⁶ Section 201(b) of the PPRA makes the following agencies exempt from the CPO's procurement authority but subject to the PPRA: (a) the Office of the Chief Financial Officer; (b) the University of the District of Columbia; (c) the District of Columbia Housing Authority; (d) the District of Columbia Public Library; (e) the District of Columbia Public Schools; (f) the District of Columbia Retirement Board; (g) the Public Service Commission; (h) the Office of the People's Counsel; and (i) the Criminal Justice Coordinating Council. The D.C. Lottery and Charitable Games Control Board and the Office of Finance and Resource Management are a part of the Office of the Chief Financial Officer.</p> <p>⁷ Pursuant to §11-1525(b) of the D.C. Official Code, the Commission on Judicial Disabilities and Tenure is authorized to contract for goods (including for officers, assistants, reporters, counsel and other persons) as may be necessary for the performance of its duties, and to obtain the services of medical and other experts.</p> <p>⁸ Section 105(c) of the PPRA makes the DC Housing Finance Agency, the DC Courts, the District Public Defender Service, the DC Advisory Neighborhood Commissions, the DC Water and Sewer Authority, the Washington Convention and Sports Authority, the DC Auditor and the Not-for-Profit Hospital Association exempt from the PPRA and the CPO's procurement authority. (Note: Pursuant to §1-204.31 et seq. of the D.C. Official Code, the Judicial Nominations Commission is a part of the District's Judicial Branch, which consequently gives it the same procurement authority as the DC Courts.</p> <p>⁹ Pursuant to DC Law 20-84, the Procurement Practices Reform Exemption Amendment Act of 2014, the Captive Insurance Agency and the Health Benefits Exchange Authority are exempt from the PPRA and OCP until September 30, 2018.</p>			

APPENDIX E. OCP'S RESPONSE TO DRAFT REPORT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting & Procurement (OCP)



OFFICE OF THE DIRECTOR

June 14, 2019

The Honorable Daniel W. Lucas
Inspector General
Office of the Inspector General
717 14th St., N.W.
Washington, D.C. 20005

Re: Draft Report No. 19-1-03PO Office of Contracting and Procurement District-Wide Participation in the Surplus Property Program Could Be Improved

Dear Inspector General Lucas:

Thank you for the opportunity to review the draft inspection report and provide our response to the 10 recommendations in the report. We appreciate your commitment to the citizens of the District by independently inspecting the controls and procedures for safeguarding, marketing, selling and disposing of surplus District government property. The leadership of OCP looks forward to enhancing and improving the varied services offered through the Surplus Property Division (SPD).

Before responding to the recommendations in the report, we think it is important to provide some additional insight into SPD and its Surplus Property Program (the "Program"). Note that SPD is currently servicing District agencies in three capacities as follows: (i) managing the disposal of agencies' surplus property, (ii) giving agencies access to, guidance on and instructions for utilizing other District agencies' surplus property, and (iii) giving agencies access to, providing guidance on and coordinating receipt of federal surplus property. SPD is currently conducting business with or servicing in some capacity all District agencies, including those agencies under the CPO's authority and subject to the PPRA, those agencies independent of the CPO's authority but subject to the PPRA and those agencies exempt from both the PPRA and the CPO's authority.

Beyond SPD's online auction revenues and annual sales figures, SPD saves the District millions of dollars through its re-utilization and cost-avoidance activities. With SPD's "cost-savings first" philosophy, SPD has built a network of foundational and collaborative internal District government partners including, but not limited to, OCP's contracting officers and specialists physically located inside many District agencies, designated accountable property officers in agencies across the District, IT advisers within OCTO and fixed asset accountants of OCFO/OFOS. SPD regularly evaluates the Program to find ways to achieve even greater benefits for the District.

APPENDIX E. OCP'S RESPONSE TO DRAFT REPORT



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Office of Contracting & Procurement (OCP)



OCP would like to express concern should there be overreliance in the OIG's report on the 2017 Procurement Practices Risk Assessment completed by KPMG (the "Assessment"). OCP is of the view that this Assessment did not adequately review and capture the operations, policies and practices of SPD.

FINDING NO. 1 – OCP'S RESPONSIBILITY AND AUTHORITY TO MANAGE SURPLUS PROPERTY ARE NOT ADEQUATELY DEFINED OR COMMUNICATED TO DISTRICT GOVERNMENT ENTITIES:

Recommendation (1): Work with the Executive Office of the Mayor to issue written guidance that outlines OCP's authority and responsibilities, and agencies' obligation to involve OCP's SPD in the disposition of surplus District property.

Agree _____ Disagree X

OCP already issues clear guidance and written instructions to all District agencies, including those agencies under the CPO's authority and subject to the PPRA, those agencies independent of the CPO's authority but subject to the PPRA and those agencies exempt from both the CPO's authority and the PPRA, that outline OCP's authority and responsibilities with respect to surplus District property, including the agencies' obligation to involve OCP's SPD in the disposition of District surplus property, in the following ways:

- 1) Pursuant to the authority granted in the Procurement Practices Reform Act of 2010, OCP has issued rules adopted at Title 27 DCMR Chapter 9 that governs surplus property and directly addresses the areas highlighted by the OIG.
- 2) OCP distributes a memo to each agency director requesting designations of such agency's accountable property officers and alternate accountable property officers (collectively, APOs) in accordance with Title 27 DCMR Chapter 9.
- 3) OCP gives further guidance and instructions to the APOs through OCP's annual Property Officers' Summit (a meeting hosted by OCP for APOs) and OCP's Surplus Property Procedure Manual, which is available on OCP's intranet website.
- 4) OCP collaborated with the Office of the Chief Financial Officer (OCFO) members including the Office of Finance and Resource Management (OFRM) and the Office of Financial Operations and Systems (OFOS) to further build the network of centralized disposal guidance, instruction and procedure concerning District Surplus Property.
- 5) OCP hosted and trained the Accountants/Asset Managers from OFOS on the property disposal process at its Adams Place location in FY18.

APPENDIX E. OCP'S RESPONSE TO DRAFT REPORT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting & Procurement (OCP)



- 6) OFOS has included the property disposal guidance from OCP in OCFO's Policies and Procedures Manual, which is available on OCFO's intranet website.

Additionally, OCP has partnerships with independent agencies like the University of the District of Columbia (UDC), which promotes the usage of OCP's property disposal procedures. UDC has incorporated OCP's property disposal forms and processes into their operational procedures and the information is posted on their website.

As a general matter, OCP is not aware of any other District agency that has or seeks to have a program that handles the disposition of District surplus property. OCP has strong partnerships with District agencies and has not encountered any pushback from agencies regarding OCP's authority or responsibility as it relates to the disposition of District surplus property.

Here are the links to OCP and OCFO Procedures Manuals with guidance and/or instructions regarding SPD:

- [https://sharepoint.cfo.in.dc.gov/OFOS/Policies%20and%20Procedures/Financial%20Procedures%20\(Volume%20I%20-%20District%20wide%2011-6-18.pdf](https://sharepoint.cfo.in.dc.gov/OFOS/Policies%20and%20Procedures/Financial%20Procedures%20(Volume%20I%20-%20District%20wide%2011-6-18.pdf)
- <http://dcrules.elaws.us/dcmr/27-902>
- <https://ocp.in.dc.gov/page/surplus-property>
- http://docs.udc.edu/misc/PROPERTY_DISPOSAL_ACTION.pdf

Recommendation (2): Update the content on ocp.dc.gov to more prominently and effectively publicize OCP's authority and agencies' obligations regarding the disposition of surplus District property.

Agree _____ Disagree X

OCP currently issues prominent and effective guidance to agencies on OCP's intranet site, which is accessible to all District agencies and their employees. Here is the link:

<https://ocp.in.dc.gov/page/surplus-property>

APPENDIX E. OCP'S RESPONSE TO DRAFT REPORT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting & Procurement (OCP)



Recommendation (3): Request each agency subject to the PPRA but independent from the CPO's authority enter into a surplus property disposition agreement with OCP.

Agree _____ Disagree X

Pursuant to D.C. Code § 2-352.01(b), certain District agencies are independent from the CPO's authority in the conduct of procurements but are required to conduct procurements in accordance with the PPRA and pursuant to 2-351.05(a), these agencies remain subject to the requirements of the PPRA. The PPRA at D.C. Code § 2-358.01 provides that the CPO shall issue rules governing (1) the management of goods during their entire life cycle and (2) the sale, lease, disposal, or transfer of surplus goods by public auction, competitive sealed bidding, competitive electronic sales, or other appropriate method designated by rule; provided, that no employee of the disposing agency shall be entitled to purchase any surplus goods. Accordingly, the PPRA and the rules enacted by the CPO governing the disposition of surplus property at Title 27 DCMR Chapter 9 apply to these agencies. OCP believes 27 DCMR § 900 makes it clear that OCP SPD is responsible for distribution of District surplus personal property, whether by sale, donation, or transfer. Accordingly, OCP does not believe it is necessary to enter into a surplus property disposition agreement with such agencies.

Further, when considering the cost versus the benefit of entering into a surplus disposition agreement with each such agency, OCP believes this would place an undue burden on OCP and its limited resources. In certain unique circumstances where it is necessary to document the chain of custody or unique origin of certain assets, OCP will enter into a surplus property disposition agreement with the affected agency, however OCP does not view this as necessary in the general course. For example, OCP has an agreement with the Office of Tax Revenue (OTR) to provide disposal and auction services for personal property originating from tax seizures.

OCP is currently conducting business and providing services to all District agencies, including those agencies under the CPO's authority and subject to the PPRA, those agencies independent of the CPO's authority but subject to the PPRA and those agencies exempt from both the PPRA and the CPO's authority. The agencies are being serviced in at least one of the following three categories of disposal services provided by OCP's SPD:

- 1) Disposal of the agencies' surplus property.
- 2) Access to other agencies: surplus property through reutilization.
- 3) Access to the federal surplus property through GSA and GSAXcess.

APPENDIX E. OCP'S RESPONSE TO DRAFT REPORT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting & Procurement (OCP)



Recommendation (4): Request each agency exempt from both the PPRA and the CPO's authority enter into a surplus property disposition agreement with OCP.

Agree _____ Disagree X

OCP does not believe it is necessary to enter into a surplus property disposition agreement with each agency exempt from the PPRA and the CPO's authority. OCP communicates to these agencies regarding SPD and requests designation of an APO. When the cost versus the benefit is considered for entering into an agreement with each such agency, OCP believes this would place an undue burden on OCP and its limited resources. In certain unique circumstances where it is necessary to document the chain of custody or unique origin of certain assets, OCP will enter into a surplus property disposition agreement with the affected agency, however OCP does not view this as necessary in the general course. For example, OCP had an agreement with the Not-For-Profit Hospital Corporation and is negotiating an agreement with DC Water in light of the unique assets from these agencies.

OCP is currently conducting business and providing services to all District agencies, including those agencies under the CPO's authority and subject to the PPRA, those agencies independent of the CPO's authority but subject to the PPRA and those agencies exempt from both the PPRA and the CPO's authority. The agencies are being serviced in at least one of the following three categories of disposal services for OCP's SPD:

- 1) Disposal of the agencies' surplus property.
- 2) Access to other agencies: surplus property through reutilization.
- 3) Access to the federal surplus property through GSA and GSAXcess.

FINDING NO. 2 – OCP CAN IMPROVE ITS ADMINISTRATION OF THE GOVDEALS CONTRACT

Recommendation (5): Enter into a surplus property disposition agreement with each entity served under OCP's contract with GovDeals.

Agree _____ Disagree X

Note that GovDeals and OCP are the contracting parties under the GovDeals contract and OCP actively manages and directs GovDeals in the administration of the contract. Under the GovDeals contract, OCP operates accounts based on the property type being sold. The property associated with each account and the District agency of origin for such property is tracked by OCP. Assets in each account are treated similarly without regard to which agency such assets originate from. The terms of the GovDeals contract applies to all activities thereunder regardless of which agency the assets originate from. The

APPENDIX E. OCP'S RESPONSE TO DRAFT REPORT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting & Procurement (OCP)



GovDeals contract is available to all District agencies participating in the program. In addition, OCP provides guidance regarding the GovDeals auction platform in OCP's Surplus Property Procedural Manual. OCP does not believe it is necessary to enter into agreements with each entity served under the GovDeals contract.

Recommendation (6): Document the auction revenue verification process cited in the GovDeals contract.

Agree Disagree

OCP will reexamine the GovDeals contract to ensure that the contract language aligns with OCP's internal procedures and quality control measures as outlined in OCP's Surplus Property Procedure Manual. To address OIG's specific concern regarding the GovDeals contract requirement that the Contract Administrator (OCP) audit and approve the revenue amount prior to the Contractor wiring funds or remitting a check, OCP will work to incorporate this requirement in its operations. OCP has previously planned to hire a Measurement and Policy Analyst that will be responsible for conducting weekly reviews and analyzing transactional data to ensure that all deposits from contractors to the District are accurate and timely, and he/she will escalate any discrepancies to the Chief Property Officer. OCP aims to complete this hire within FY19.

FINDING NO. 3 – CURRENT DATA DESTRUCTION PRACTICES, PARTICULARLY AT AGENCIES NOT UNDER THE CPO'S AUTHORITY, MAY EXPOSE THE DISTRICT TO SIGNIFICANT RISK AND LIABILITY

Recommendation (7): Request the Office of the Chief Technology Officer (OCTO) provide OCP an assessment of the SPD's data destruction practices and ensure they comply with the PPRA and industry standards.

Agree Disagree

OCP has a strong partnership with OCTO. The current SPD data destruction practices were put in place in consultation with OCTO pursuant to industry standards. In consultation with OCTO, we can confirm practices remain in line with current industry standards and are supported by OCTO. OCP does not believe these practices conflict with the provisions of the PPRA.

APPENDIX E. OCP'S RESPONSE TO DRAFT REPORT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting & Procurement (OCP)



Recommendation (8): In accordance with OCTO, implement a plan to increase awareness and improve data destruction practices at District agencies.

Agree X Disagree _____

OCP agrees with OIG's recommendation as all agencies in the District should adopt data destruction standards that minimize risk to the District. The standards that are currently in place at OCP and agencies under its procurement authority should be adopted by all District agencies. OCP shares the view that appropriate legislation, policy, or memorandums of understanding should be established that can effectuate the promulgation of OCP's current data destruction standards. By way of background, OCP has a very well-established relationship with OCTO and it was that relationship that led to the creation of OCP's Data Destruction Center. OCTO technicians were on-site at OCP's Adams Place location and provided guidance on industry standards for data centralized property disposal documentation software, which the District may implement, and provided a demonstration of the full life-cycle asset tracking and disposal. Finally, OCP will utilize various working groups like the CTO's CIO Meeting and OCP's Procurement Roundtable to further communicate, enhance and execute its data destruction standards to District agencies.

FINDING NO. 4 – OCP SHOULD CONSIDER INCREASING THE 5% BUYERS PREMIUM RATE AND DETERMINE THE FEASIBILITY OF COLLECTING SALES TAX ON AUCTIONED SURPLUS PROPERTY

Recommendation (9): Evaluate an increase in the District's buyer's premium rate, to fully offset the fees the District pays to GovDeals.

Agree _____ Disagree X

OCP regularly evaluates the buyer's to determine what fee structures would bring maximum asset recovery for the District as part of our disposal processes. This year additional market research is being evaluated and OCP will make adjustments if needed as part of the contract renewal and option execution process.

APPENDIX E. OCP'S RESPONSE TO DRAFT REPORT



GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of Contracting & Procurement (OCP)



Recommendation (10): Coordinate with the Office of the Chief Financial Officer (OCFO) to determine whether sales tax could be applied to online auction sales.

Agree _____ Disagree X

OCP already coordinates with OCFO on SPD sales. Both agencies have engaged in discussions concerning sales tax and admin fees for surplus property auctions and will continue those conversations and engagements to help determine what changes, if any, should be made and the best approach to achieve a favorable outcome for the District. For example, regarding sales tax and automobile sales, which makeup a very large percentage of surplus property auctions, OCP and OCFO determined that since the buyers pay tax on the vehicles at the time of registration, the District may not be able to collect a sales tax at the point of auction closing. Regarding applying admin fees to surplus property auctions, OCP has determined that there will be a cost in administering such a fee, which will include modifying the auction platform to incorporate the fee as well as the administrative costs of physically collecting, accounting for, and providing compliance oversight of the fees applied and collected. Thus, the cost of administering an admin fee may negate any perceived revenue increase.

From a larger economic standpoint, OCP believes that the desire for increased revenue through sales tax and/or admin fees must be balanced against the economic realities of the marketplace. More specifically, the price paid is the result of a public auction where every price bid is seen by the public and the winner is the bidder who bids the highest. The bidder's pricing is set by the market and where else the item can be purchased. The price that will be paid, based on the market, will be the same whether that price incorporates a fee or not. For example, if a buyer is buying an end-of-life sedan from the platform, they are pricing based on the cost of other sedans in the marketplace (e.g., at other dealers). So, the price point of the sale will be XX whether that price out the door incorporates a percentage fee or not.

Please note that OCP and its SPD are available should you wish to follow-up on any of the matters discussed herein. We appreciate the opportunity to review and provide input on the report.

Sincerely,

George A. Schutter III
Director of Office of Contracting and Procurement

APPENDIX F. EXCERPT FROM OCP POLICIES AND PROCEDURES MANUAL REGARDING DATA DESTRUCTION

APPENDIX .E

Instructions and form for data Destructions/Sanitize process



When an agency submits a CPU to our Surplus Property Division, please follow the mandatory steps below:

- 1) The SPD receiving official will inventory and document each CPU according to the serial number listed on the Property Disposal Action (PDA). The PDA is to be completed by the submitting Agency. If the item is not itemized, the receiving official must manually record the item to the PDA and notify the submitting agency of the omission. If the PDA is accurate, the SPD receiving official will stamp the PDA as received, forward a copy to the submitting agency and submit the original to the SPD Administrative Staff to be saved on the shared network. Tag all received items with PDA or an identifying record of origin, sort received surplus.
- 2) ALL CPUS must be labeled with a copy of the original PDA or an identifying record of origin and placed in the designated testing area of the warehouse.
- 3) The designated testing official will perform the task of inspecting each CPU for a hard drive, removing the hard drive and performing a functionality test to determine the operational status.
- 4) To TEST CPU: Plug the CPU into the power supply and to a monitor to test. Power on the CPU, if the CPU reboots successfully, it's considered to be of working status. A CPU is only considered non-working if it doesn't power on when tested.
- 5) While testing, the official will scan each item into inventory according to operational status and batch for auction.
- 6) If a hard drive is found, the designated testing official is responsible for removing the hard drive and must complete a "Certificate of Data Destruction" form. After completing this form, each hard drive must be escorted to the Data Destruction Center, for proper destruction.

If the hard drives are not destroyed on the same day, the designated testing official must secure all hard drives in the Data Destruction Center until the next business day. **Under no circumstance, should any hard drives be left unsecured. The Data Destruction Center will be secured at the end of each business**

APPENDIX F. EXCERPT FROM OCP POLICIES AND PROCEDURES MANUAL REGARDING DATA DESTRUCTION

Certificate of Data Destruction/ Sanitize process:

District of Columbia Government
Office of Contracting & Procurement Surplus Property Division
2100 Adams Pl. N.E. Washington, D.C. 20018
Office: (202)576-6472. E-mail: surplus-property@dc.gov



Certificate of Data Destruction



This form documents the destruction of the described items listed in Section 6) in accordance with the District of Columbia Surplus Property Division Policy.

1) Agency: Office of Contracting & Procurement		2) Department/Division: Support Services			
3) Address: 441 4 th St. NW Washington, D.C		4) Telephone: (202)123-4567		5) APO /Contact Person: Jane Doe	
6) Data to Be Destroyed					
a) Item Number	b) Item Description	c) Serial Number	d) Quantity	e) Status	f) Method of Destruction
1.	Hard Drive	6VY11VDV	1	Functional/defective/scrap	Shredded
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

DC SURPLUS PROPERTY
CERTIFIED
DESTROYED

By: [Redacted]
Date: 10-24-14 RJ

I hereby certify that the assets identified above have been permanently destroyed in accordance with the District of Columbia Surplus Property Division Policy.

7. <u>Jane Doe</u> APPROVING OFFICIAL (PRINT NAME)	<u>[Signature]</u> SIGNATURE	<u>10-24-14</u> DATE
8. [Redacted] DATA DESTROYED BY (PRINT NAME)	<u>[Signature]</u> SIGNATURE	<u>10-24-14</u> DATE OF DESTRUCTION

REF PDA No. OCP-102414

Please return copy of Certificate of Data Destruction to the Agency's APO/Approving Official upon completion. SPD official completing this form must stamp this form with personal SPD certified issued stamp.