

**Los Angeles County
Metropolitan Transportation Authority
Office of the Inspector General**

**Redistribution of
Surplus Items**

Opportunities exist for savings through greater redistribution of surplus items by enhancing communications regarding the availability of these items.

Report No. 13-AUD-03

April 17, 2013



TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
OBJECTIVES, SCOPE, AND METHODOLOGY	2
BACKGROUND	2
RESULTS OF REVIEW	2
1. Storage Bins	3
2. Purchases of New Binders	4
3. Electronic System to Exchange Information About Surplus Items	5
CONCLUSION	5
RECOMMENDATIONS	6
MANAGEMENT COMMENTS	7
EVALUATION OF MANAGEMENT COMMENTS	7
ATTACHMENTS	
A. Photos of Binders for Recycling at Different Times	8
B. Management Comments to Draft Report	9
C. Final Report Distribution	12



Metro

**Los Angeles County
Metropolitan Transportation Authority**

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DATE: April 17, 2013

TO: Metro Chief Executive Officer
Metro Board of Directors

FROM: *Jack Shigetomi*
Jack Shigetomi
Deputy Inspector General - Audits

SUBJECT: Redistribution of Surplus Items
(Report No. 13-AUD-03)

EXECUTIVE SUMMARY

As part of ongoing efforts to assist Metro in improving its economy, efficiency, and effectiveness of operations, the Office of the Inspector General (OIG) reviewed Metro's current recycling efforts that make available for internal departments surplus or reusable office supplies or equipment such as document binders or computer equipment.

We found that several programs exist to reuse surplus items but efforts to reuse surplus supply items among departments should be strengthened. The review found that greater communication and visibility of items available for reuse among departments will increase recycling and save costs, is better for the environment, and is consistent with Metro's sustainability goals. The report includes recommends to:

- Replace large recycling bins currently in use with open shelving to display and sort items to improve visibility and encourage reuse.
- Increase communication such as periodic reminders to departments about recycling supplies.
- Institute an electronic "bulletin board" for departments to exchange information about available inventory for reuse.
- Revise current policy on disposal procedures to expand efforts to reuse surplus supplies and equipment throughout the agency.
- Add recycling information to the Purchase Card (P-Card) training and list it on the "P-Card" web page as a recommended method before resorting to P-Card purchasing.

Metro management agreed with the recommendations in the report, and provided an action plan to implement the recommendations.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this review was to evaluate Metro’s current policy and practices for internal recycling surplus items and equipment and make appropriate recommendations to enhance recycling efforts. To achieve the review objective, OIG performed the following:

- Interviewed appropriate staff in General Services and other relevant departments;
- Reviewed Metro’s current policies and procedures governing reuse and disposal of surplus or obsolete office supplies or equipment;
- Visited the area where recycling bins used to store surplus binders for reuse are located; and
- Reviewed accounting records including purchase card statements and receipts from Fiscal Year 2012 to determine whether internal departments placed new orders for items that are available internally via recycling.

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

BACKGROUND

The policy governing the disposal of surplus and obsolete personal property is Metro policy ACQ-2, Acquisition Policy and Procedure Manual, Chapter 12 – Surplus Sales Contracts. This policy authorizes the Director of Purchasing, or designee, to dispose of Metro’s surplus property with a market value of up to \$200,000. When a department determines that it no longer needs an item, staff completes Form 37-28, “Authority to Sell or Dispose Of” and forwards the form to the Sales Coordinator for disposition. The Sales Coordinator will determine which of two options for disposition to apply: (1) alternative use within Metro, or (2) sale to outside companies.

RESULTS OF REVIEW

Metro policy provides a process for disposing of surplus personal property through the Sales Coordinator, who may either sell the items or provide the items to other departments who may need them. According to the Sales Coordinator, items must be disposed of as quickly as possible due to lack of storage space. He advised that redistribution of reusable items largely depends on communication from departments in need.

In addition, there are two types of personal property which are centrally controlled and thus can be redistributed as needed, assuming serviceability:

- Information Technology Services (ITS) centrally controls all computer-related equipment. ITS retrieves and redistributes surplus equipment among departments until the items become unserviceable or obsolete. ITS then disposes of these items in accordance with the laws regarding electronic waste.
- General Services centrally controls the furniture used in the Gateway building. Similar to computer equipment, furniture may be transferred between departments as needed. The Sales Coordinator is authorized to dispose of unserviceable furniture.

We believe that these policies reflect sound efforts to facilitate the reuse of furniture and computer equipment, thereby preserving Metro’s budget.

As for redistribution of surplus office supplies, General Services established an unofficial program that encourages reuse of Metro surplus office supplies such as binders by collecting them in large storage bins located on level P1 in the Gateway building.

1. Storage Bins

Two site visits in 2012 by OIG three months apart found that Metro maintains two (2) large storage bins in the hallway on the P1 level of the Gateway building. These bins are being used to store surplus binders that are available for reuse by other Metro departments (see Attachment A for photographs). Above the bins, two posted signs state:

REUSABLE OFFICE SUPPLIES
PLEASE BOX ITEMS
NO TRASH
NO BROKEN ITEMS

On both visits, the bins were filled beyond capacity with document binders and other items. Most of the items in the bins appeared to be discarded binders. Some bins also contained miscellaneous property such as calculators, telephone handsets, and electronic cords. On our second visit, the bins contained different items than on the first visit, indicating that recycling of materials is active or the contents of the bins is being periodically purged.

We interviewed staff from General Services about the recycling bins. In the past, General Services stored bins for recycled binders in empty spaces on higher floors. After Metrolink moved into the Gateway building in June 2011, the recycling bins were relocated to the P1 level between the Stationary Store and the Mailroom.

Currently, Metro keeps no written procedures or records regarding the number of binders collected, reused, or disposed. There is also no formal process to notify or remind departments when surplus binders become available. General Services staff advises OIG that:

“The program has been very effective. We have collected and distributed approximately 10 pallet sized bins of binders. The two bins on P1 get filled when we collect them from building occupants, and emptied on a regular basis when people need them. Training & Development, Procurement, and Operating Divisions have been big users.

The reason we did not do a ‘garage sale’ in the beginning was that divisions and departments collected seven pallet loads almost immediately, so we did not have much to display. Around that time, we also set out other supplies near the copiers. These were scooped up by staff.

Now we have two pallet size bins that are full. I will send a reminder out to let departments know they are available.”

According to the Sales Coordinator, under current policy, departments may box surplus items, complete the authorization form, and forward the items for disposition. The Coordinator stated that he attempts to find other departments to reuse items, but otherwise sends them out for sale or auction. Typically, the disposal process is primarily used for large surplus items. Used furniture from non-Gateway building departments may not be reused by departments in the Gateway building unless décor standards set by General Services are met.

The Sales Coordinator stated that although he did not object to reusing surplus items through the process described above, he noted that materials placed in the storage bins were in disarray. He stated that some apparent trash items were included in the bins, despite the signs posted in the area prohibiting dumping. (See photographs of bins in Attachment A).

OIG believes that the current process of storing recycling items in large, opaque pallet size bins tends to inhibit, rather than facilitate, reuse. Many items are hidden from plain view and require substantial physical effort to wade through piles of materials stashed inside the deep bins. Items near the bottom are harder to see and reach. Also, items that arrive in good condition may get damaged in the bins. OIG believes that binders and other surplus items placed on open shelving, organized by category, and made more visible and accessible to potential users would greatly enhance recycling of surplus property.

2. Purchases of New Binders

As a possible indicator of whether Metro staff is sufficiently aware of the availability of surplus binders for reuse, we researched purchase card (P-Card) purchases to identify purchases of new binders. We selected for review 30 P-Card purchases made from office supply vendors during FY 2012. Our review of the billing statements that relate to each of the 30 P-Card purchases identified eight billing statements that included purchases of 116 binders costing \$940. This indicates that some Metro staff may not be aware of the availability of binders in the recycling bins on P1 level at Gateway. We believe that increased visibility and encouragement of surplus item reuse among departments will result in fewer purchases of new supplies, which in turn will preserve Metro’s budget for truly needed expenditures and encourage cost savings.

We believe that Metro’s current recycling effort should be strengthened and encouraged by enhanced communications. OIG recommends that Metro management notify departments of the recycling program on a more regular basis and advertise surplus supplies as they become available.

3. Electronic System to Exchange Information About Surplus Items

OIG believes that a regular electronic “bulletin board” system would be helpful for departments to advertise surplus items such as binders or request supplies available for reuse.

Staff from General Services is currently reassessing the “building way” signage system.¹ An aspect of this project would substitute the static floor plan and bulletin boards located in the building elevator lobbies with a real time electronic message board. Similarly, information about surplus items from departments could also be posted on this board. However, General Services’ electronic message system is in the investigation phase and may take a couple of years to implement, depending on funding. We would encourage General Services to continue developing this worthwhile project.

In the meantime, OIG recommends to Metro management that it consider establishing an electronic communication system for immediate use by departments to advertise the availability or need for surplus property. Ongoing messaging would greatly encourage and facilitate inter-department recycling that will in turn achieve cost savings by avoiding new purchases for new, duplicative items.

Metro’s intranet web site, myMetro, includes a page called “Classifieds.” The “Classifieds” page provides a convenient forum for employees to advertise wanted or for sale personal items. We believe that Metro should consider adding to the existing messaging system or using a similar messaging system for departments to publicize or request surplus Metro office property, provided the Metro page would be clearly separate from the personal want ads and people would understand Metro items are for Metro use, not personal use.

CONCLUSION

Current efforts by Metro to encourage internal reuse of surplus items should be strengthened. We determined that Metro has several formal and informal programs to recycle surplus items in place: the formal Acquisition process, use of recycling bins, and inter-department transfers through the Sales Coordinator. Evidence suggests not everyone knows that surplus supplies are available for Metro use and who to contact or where to go to find the items. Limits on

¹ This includes signage such as floor plans and directions within the building.

access to, communication about, and a formal process for disposition of surplus property is hampering more robust internal recycling activity by Metro.

Better communications about Metro's recycling program would also help dispel any possible misunderstanding that Metro surplus is trash that employees may take for personal use.

To enhance internal recycling of surplus items, we believe that Metro should adopt several stronger, low or no cost efforts.

During the week of January 7, 2013, we discussed our recommendations with managers in the General Services, Communications, ITS, and Procurement departments who agreed with the feasibility of implementation.

RECOMMENDATIONS

The Deputy Executive Officer, General Services should:

1. Continue the recycling program for document binders and other supplies by communicating on a regular basis with departments the availability of surplus items.
2. Consider using shelves that replace the large bins for storing used document binders and other surplus items to provide better visibility and accessibility.
3. Continue to develop and implement the electronic way finding system to include information on surplus items for reuse. In the interim, work with Communications and ITS to develop a section of the "Classifieds" intranet page or implement a separate electronic "bulletin board" to facilitate interdepartmental communication between departments that have surplus items and those that have a need for certain items.

The Executive Officer, Procurement & Material Management, Procurement should:

4. Consider revising property disposal procedures to recognize efforts to reuse items in other departments prior to formal disposal.
5. Further educate P-Card holders about obtaining recycled items when available before making a new purchase of the same items through use of a P-Card by adding this to P-Card training and on the P-Card web page.

MANAGEMENT COMMENTS

Metro management provided comments to our draft report issued on February 19, 2013. Management agreed with the recommendations in this report and has initiated the following corrective actions (see Attachment B for copy of management's response).

1. "A campaign is currently being developed to notify and advertise sustainable initiatives throughout the agency. General Services will develop a flyer to indicate the binder recycling program."
2. "General Services has relocated the storage bin and has identified a space near the elevator lobby on the Stationery side, where storage racks will be installed."
3. "General Services will work with ITS and Communications to establish a section in the "Classifieds" section of the intranet page or implement a separate electronic "bulletin board" to facilitate interdepartmental communication between departments that have surplus items and those that have a need for certain items."
4. "The Policies and Procedures Manual will be revised to recognize efforts to reuse items in other departments prior to their disposal. In the interim, Procurement will issue an Executive memo describing our remedial actions until such time as the Policies and Procedures manual is revised."
5. "The recommendation has been implemented as part of the in house P-Card training sessions. The P-Card website will be revised to include notice and instructions regarding the availability/re-use of products prior to ordering from an outside source."

EVALUATION OF MANAGEMENT COMMENTS

Metro management's proposed corrective actions are responsive to the findings and recommendations in the report. Therefore, we consider all issues related to the recommendations in the report resolved based on the corrective action plan. However, staff should follow up on completing implementing recommendations that are still open.

Photos of Binders for Recycling at Different Times

July 18, 2012



October 15, 2012



Sign over the binder bins



General view of the binder bins



Close-up view of the binder bins

Management Comments to Draft Report



Metro

Interoffice Memo

Date	9 April 2013
To	Jack Shigetomi Deputy Inspector General - Audits
From	Ted Montoya, Executive Officer Procurement and Material Management
Subject	Phyllis Meng, DEO General Services Response to OIG Report on Redistribution of Surplus Items

Following is our combined response to the OIG report on redistribution of surplus items.

Recommendation 1

Continue the recycling program for document binders and other supplies by communicating on a regular basis with departments the availability of surplus items.

Response: Agree

General Services will continue to accept and distribute binders for recycling. A campaign is currently being developed to notify and advertise sustainable initiatives throughout the agency. Some of the initiatives include recycling. General Services will develop a flyer to indicate the binder recycling program and the location of the binder receptacle for depositing of binders and distribution of these used binders. Estimated completion date on or before 30 June 2013.

Recommendation 2

Consider using shelves that replace the large bins for storing used document binders and other surplus items to provide better visibility and accessibility.

Response: Agree

General Services has since relocated the storage bin and has identified a space near the elevator lobby on the Stationery side, where storage racks will be installed on the right side of the landing. Banker boxes will be placed on the shelf holding the surplus binders. The location will be advertised on the flyer/program indicated above. Estimated completion date on or before 30 June 2013.

Management Comments to Draft Report

Recommendation 3

Continue to develop and implement the electronic way finding system to include information on surplus items for reuse. In the interim, work with Communications and ITS to develop a section of the "Classifieds" intranet page or implement a separate electronic "bulletin board" to facilitate interdepartmental communication between departments that have surplus items and those that have a need for certain items.

Response: Agree

General Services will work with ITS and/or communications to establish a section in the classified section of the intranet page to indicate the current recycling efforts being pursued. In the case of the binders, the location of the drop off/pick up location will be indicated. Estimated completion date on or before 30 June 2013.

Recommendation 4

Consider revising property disposal procedures to recognize efforts to reuse items in other departments prior to formal disposal.

Response: Agree

The Policies and Procedures Manual will be revised to recognize efforts to reuse items in other departments prior to their disposal. Estimated completion date on or before 31 December 2013. In the interim, Procurement will issue an Executive Memo describing our remedial actions until such time as the Policies and Procedures manual is revised.

12.6 Procedure

A. Upon determination by a department that such personal property is no longer needed and if the department believes that the item(s) such as a binder or other office supplies can be utilized internally by other Metro staff, the department shall take the item(s) to the designated location on P1 next to Stationery.

B. If an item cannot be re-used internally, prepare Form 37-28, "Authority to Sell or Dispose Of" and forward the form to the attention of the Sales Coordinator, Acquisition Management Services – Mail Stop 99-08-01.

C. The Sales Coordinator will consider the following avenues of disposition:

- Alternative use within LACMTA for items other than binders or office supplies.
- Sale to the general public and outside companies.

Management Comments to Draft Report

Recommendation 5

Further educate P-Card holders about obtaining recycled items when available before using new purchase of the same items through use of a P-Card by adding this to P-Card training and on the P-Card web page.

Response: Agree

This recommendation has now been implemented as part of the in house P-Card training sessions. The P Card website will be revised to include notice and instructions regarding the availability/re-use of products prior to ordering from an outside source. Estimated completion date on or before 30 June 2013.

Cc: M. Caldwell

Final Report Distribution

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