

AUDIT OF  
PERSONAL PROPERTY MANAGEMENT  
DONATION PROGRAM  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A080104/Q/5/P09003  
AUGUST 25, 2009

AUDIT OF  
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U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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Date: August 25, 2009

Reply to

Attn. of: Regional Inspector General for Auditing  
Great Lakes Region Field Audit Office (JA-5)

Subject: Audit of Personal Property Management Donation Program  
Federal Acquisition Service  
Report Number A080104/Q/5/P09003

To: James A. Williams, Commissioner  
Federal Acquisition Service (Q)

This report contains the results of our audit of the Personal Property Management Donation Program. The audit was conducted to determine whether the Office of Personal Property Management was providing effective oversight of the State Agencies for Surplus Property (SASPs), and whether property that was not processed through GSAXcess® was given adequate visibility and properly allocated.

We concluded SASP oversight needed improvement, and an excessive number of donations were processed outside of the GSAXcess® system. We have made recommendations for each of these issues.

A copy of your response to the draft report is provided in Appendix B.

We hope the management and staff of the Office of Personal Property Management find the report helpful to their operations.

Sincerely,

John Langeland  
Audit Manager  
Great Lakes Region (JA-5)



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**EXECUTIVE SUMMARY**

**Purpose**

The objectives of the audit of the Personal Property Management Donation Program were to answer the following questions:

1. Was the Office of Personal Property Management providing effective oversight of the State Agencies for Surplus Property (SASPs)?
2. Was property that was not processed through the GSAXcess® system given adequate visibility and properly allocated?

**Background**

Section 521 of title 40 of the US Code (40 USC 521) authorizes the General Services Administration (GSA) to prescribe policies to promote the maximum use of excess Government personal property by executive agencies. In GSA, the Office of Personal Property Management, within the Office of General Supplies and Services, oversees the Utilization and Donation Program, as well as the Sales Program. If GSA determines that there are no Federal requirements for an agency's excess personal property, it becomes surplus property and is available for donation to State and local public agencies and other eligible non-Federal activities. Title 40 provides for the establishment of one State Agency for Surplus Property (SASP) per state<sup>1</sup>. The SASPs distribute Federal surplus personal property to eligible donees.

**Results in Brief**

We found a need for improved GSA oversight of the SASPs as evidenced by the following: some SASPs did not notify GSA, either at all, or in a timely manner, when they did not pick up property; GSA continued to transfer property with little corrective action, to SASPs with histories of selling high percentages of the property transferred to them; and, SASPs transferred property to Small Business Administration (SBA) 8(a) donees without the requisite SBA approvals designed to assure property was acquired for valid purposes. We also found significant discrepancies between State Agency

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<sup>1</sup> The most recent contact list from GSA has 56 SASPs: the 50 US states and the District of Columbia, as well as 5 US territories: American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, and the Virgin Islands.



records and GSA records, and undetected and unchallenged misuse of donated property.

We found that extensive reliance on donations processed outside GSAXcess® resulted in reduced assurance all parties with valid interests knew when property was available, and resulted in less traceability and transparency, increasing the potential for abuse. This practice occurred because of historic practice and expediency. We did not find evidence property processed outside the system was improperly allocated.

### **Recommendations**

We recommend to the Assistant Commissioner, Office of General Supplies and Services, that the Office of Personal Property Management:

1. Enhance the monitoring of the State Agencies for Surplus Property by:
  - A. Placing greater reliance on internal GSA automated records to assist in identifying potential problem areas,
  - B. Simplifying and streamlining the SASP reviews so they are carried out more frequently, and
  - C. Assuring SASPs' sales and donation rates are factored into allocation decisions.
2. Minimize the processing of property outside the GSAXcess® system whenever possible; and
3. Ensure donations processed outside GSAXcess® are promptly recorded in the system.

### **Management Response**

The Commissioner, Federal Acquisition Service, concurred with Recommendation Numbers 1.A., 1.B, 2 and 3. The Commissioner partly concurred with Recommendation Number 1.C. Based on the Commissioner's comments, we revised Recommendation Number 1.C accordingly.

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**INTRODUCTION**

**Background**

The Federal Government purchases more supplies and materials than any other entity in the world. As a result, it confronts the challenge of disposing of excess and surplus personal property on a continuous basis. "Excess personal property" means any personal property<sup>2</sup> under the control of any Federal agency that is no longer required for that agency's needs. Surplus property is "excess personal property not required for the needs of any Federal agency." The process of identifying, processing, reporting, and transferring excess assets among federal agencies is known as utilization. The transfer of surplus property to non-federal governmental agencies and non-profit organizations is called donation.

Section 521 of title 40 of the US Code (40 USC 521) authorizes the General Services Administration (GSA) to prescribe policies to promote the maximum use of excess Government personal property by executive agencies. In GSA, the Office of Personal Property Management (Personal Property), within the Office of General Supplies and Services, oversees the Utilization and Donation Program, as well as the Sales Program. The Office of Personal Property Management has four zonal Property Division offices located in Philadelphia, Atlanta, Fort Worth, and San Francisco. Each is responsible for multiple offices.

Generally<sup>3</sup>, all excess property must be reported to GSA, at its Original Acquisition Cost (OAC)<sup>4</sup>. There are three ways to report excess property to GSA. The first method is via GSAXcess®, a web-enabled platform that authorized customers use to report, search, and select property. Another method involves submission of the "Report of Excess Personal Property" (Standard Form 120) for customers without Internet access. Finally, there is the "batch method" (which requires the agency to have electronic inventory records that can be read by GSAXcess®). Activities with high volumes of property to report use the latter method.

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<sup>2</sup> Personal property is "any property except real property (buildings/land). The term excludes records of the federal government, and naval vessels of the following categories: battleships, cruisers, aircraft carriers, destroyers, and submarines."

<sup>3</sup> GSA lists 11 categories of excess personal property that holding agencies need not report to GSA, among which are: property determined appropriate for abandonment/destruction, scrap (except aircraft), hazardous waste, and controlled substances.

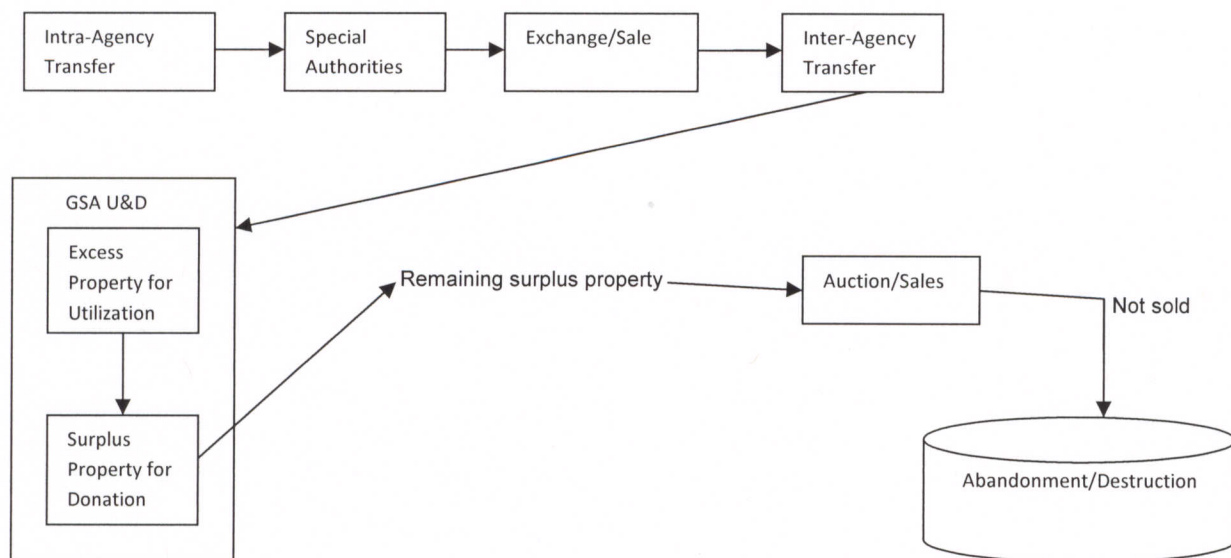
<sup>4</sup> All property dollar values shown in the report are based on original acquisition cost.



If GSA determines that there are no Federal requirements for an agency's excess personal property, it becomes surplus and is available for donation to State and local public agencies and other eligible non-Federal activities. However, as discussed below, there are additional circumstances that prevent excess property from being declared surplus. 40 USC 549 gives GSA discretionary authority to prescribe the necessary regulations for, and to execute, the surplus property donation program.

40 USC provides for the establishment of one State Agency for Surplus Property (SASP) per state<sup>5</sup>. The SASPs distribute Federal surplus personal property to eligible donees. They also assist donees in locating, screening, and acquiring needed equipment, and advise donees of the terms, conditions, restrictions, and noncompliance ramifications associated with donated personal property. SASPs may assess donation recipients a service charge to cover handling, transportation, and administrative expenses for donated surplus property.

To summarize, the seven options available once a federal agency no longer requires the use of an item are depicted in the diagram below<sup>6</sup>. The options are not necessarily in sequential order.



Special authorities are statutory provisions designed to give excess assets to groups that may use them for a particular purpose. Some examples of special authorities are the Department of Defense (DOD) Law Enforcement Support Office (LESO) and the

<sup>5</sup> The most recent contact list from GSA has 56 SASPs: the 50 US states and the District of Columbia, as well as 5 US territories: American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, Puerto Rico, and the Virgin Islands.

<sup>6</sup> Adapted from Personal Property Asset Life Cycle Overview in "General Services Administration Personal Property Utilization and Donation Study," performed by General Asset Sales, issued Dec. 19, 2003, p. 43.

Computers for Learning Program. The LESO program transfers needed equipment to federal and state law enforcement agencies. The Computers for Learning program provides for the transfer, through gift or donation, of computers and related peripheral equipment to pre-K through 12<sup>th</sup> grades, with preference to disadvantaged schools. As shown in the diagram, special authorities may enter the process before an item is reported to GSA as excess for inter-agency transfer or goes to exchange/sale. There are at least 10 DOD special authorities, and 10 other special authorities.

Exchange Sales, listed separately in the diagram, is another type of special authority. Federal Management Regulation (FMR) 102-39 authorizes Executive Branch agencies to exchange or sell property and apply the exchange allowance or sale proceeds to acquire similar type replacement property, bypassing the Utilization and Donation screening requirements.

We did not determine the quantity of property released through the special authority programs and their impact on SASP operations because the programs were outside our review authority. We did note, however, (i) many of the SASP representatives we contacted during the audit stated the special authorities fragmented the surplus property program and impacted their ability to maintain the state programs, and (ii) many of the SASPs were reducing their operations and appeared to be struggling to stay viable.

As discussed, GSAXcess® is one method for reporting, searching for (also known as screening), and selecting excess Federal personal property. Like web-based platforms such as Amazon, GSAXcess® allows a customer to view property and select it by adding it to a virtual shopping cart, then “check out” by transferring the customer’s request for property electronically to GSA. Federal employees (including contractors), DOD employees and contractors, as well as nonfederal recipients, and SASPs, may access GSAXcess® with appropriate authorization. Within GSAXcess®, property is organized into user-friendly commodity groupings based on the Federal Supply Class (FSC) assigned to each item as reported in GSAXcess®, to facilitate screening and selection.

Generally, the screening period for property is 21 days by Federal agencies, contractors, eligible nonfederal recipients and donation customers (i.e. SASPs). State agencies may screen property concurrently with the Federal agencies. The Surplus Release Date (SRD) generally represents the end of the 21-day utilization (or excess) screening period and when the property becomes surplus<sup>7</sup>. If GSA does not notify the holding agency of a pending transfer within five calendar days following the SRD, the agency may proceed with the sale or other authorized disposal of the property.

Donees may also view excess property generated by the DOD at Defense Reutilization and Marketing Offices (DRMOs). Access is restricted to Federal employees, SASPs

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<sup>7</sup> Vessels 50 feet and over and aircraft require 60 and 90 days, respectively, after the SRD before becoming surplus.



and donee personnel, and nonfederal personnel with authorization from their sponsoring federal agency.

SASPs submit GSA Form 3040 (State Agency Monthly Donation Report of Surplus Personal Property) to the appropriate GSA regional office quarterly. GSA regional offices review and evaluate the donation data with respect to the State agencies' performance in effecting fair and equitable distribution, in carrying out and reporting on State agency reviews and in evaluating State agency screening of Federal installations. GSA is to conduct reviews a minimum of every two to four fiscal years to evaluate the operation and effectiveness of each SASP's program.

Through the Small Business Administration (SBA), eligible section 8(a) small businesses may receive surplus property from the SASP. An eligible 8(a) business must: (1) certify to the SASP in writing that it is eligible to receive Federal surplus property; (2) identify the property's intended use; (3) agree that it will use the item in the normal conduct of business; and (4) not sell or transfer the item to any party besides the Federal government during its entire participation period in the program, and for one year after leaving it. The SASP must contact the relevant SBA field office prior to releasing any property to an 8(a) business to confirm the business' eligibility and may charge a service and handling fee as with other donees.

For fiscal year 2008, the Government reported nearly \$8 billion of property<sup>8</sup> as excess; of that total, 6.7 percent (\$527 million) was reutilized, and 5.9 percent (\$467.5 million) was donated. The remainder (87 percent, or a little over \$7 billion) was sold, abandoned, or destroyed.

### **Objectives, Scope, and Methodology**

The objectives of the audit of the Personal Property Management Utilization and Donation Program were to answer the following questions:

- Was the Office of Utilization and Donation providing effective oversight of the State Agencies for Surplus Property (SASPs)?
- Was property that was not processed through the GSAXcess® system given adequate visibility and properly allocated?

We made seven site visits and conducted 24 telephone interviews of SASP operations. We performed 41 site visits of donees located in seven states (see Appendix A). The SASP site visits covered reviews of inventory, accounting and donee records. The SASP telephone interviews focused on the operation's status, its warehouse facilities, and general feedback on the program. During the donee visits we verified receipt of donated items and matched them to SASP records. We also solicited the donee's

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<sup>8</sup> All dollar amounts in this report shown as values for property are based on Original Acquisition Cost.

opinion of the program. Of the 41 donee visits, 24 were to public agencies, 10 were to non-profits, and seven (7) were to SBA section 8 (a) contractors.

We also:

- Reviewed operations at the four GSA zonal offices in Atlanta, Philadelphia, Fort Worth, and San Francisco;
- Reviewed operations at seven SASPs, listed in Appendix A;
- Held meetings and discussions with Central Office GSA officials responsible for the program;
- Examined property allocation methodology;
- Analyzed transactions for aircraft donated between Jan. 1, 2004 and June 18, 2008 totaling over \$121 million;
- Examined records related to the National Vessel program;
- Obtained and analyzed sales data for the SASPs for fiscal years 2007 and 2008;
- Analyzed non-reported transactions;
- Reviewed transfer records in GSAXcess® and compared them to SASP records and 3040 reports;
- Reviewed GSA SASP reviews of operations reports, attachments, and the states' replies to the reports;
- Attended the annual National Association of State Agencies for Surplus Property conference held in the Chicago area in 2008; and,
- Reviewed pertinent policies and regulations related to the Personal Property Management Utilization and Donation Program.

The audit survey began in February 2008 and fieldwork was conducted from June 2008 through April 2009 in accordance with the generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



## **RESULTS OF REVIEW**

While the Office of Utilization and Donation provided oversight of the State Agencies for Surplus Property (SASPs) more can be done to ensure controls over the property are adhered to and allocations performed reasonably. We found that some SASPs did not notify GSA, either at all, or in a timely manner, when they did not pick up property; GSA continued to transfer property with little corrective action, to SASPs with histories of selling high percentages of the property transferred to them; and SASPs transferred property to SBA 8(a) donees without the requisite SBA approvals designed to assure property was acquired for valid purposes. We also found significant discrepancies between State Agency records and GSA records, and undetected and unchallenged misuse of donated property.

We did not find evidence donations processed outside the GSAXcess® system were improperly allocated. However, we did find that over reliance on this method of donating property provided little assurance all parties with valid interests knew when property was available, and resulted in less traceability and visibility, increasing the potential for abuse. The method was used because of historic practice and expediency.

### **Findings and Recommendations**

#### **Finding 1 – Oversight of State Agencies for Surplus Property**

Our audit of Personal Property's donation operations indicated a need for improved GSA oversight of the SASPs as evidenced by the following:

- SASPs did not always notify GSA, either at all, or in a timely manner, when they did not pick up or acquire property they had selected for transfer;
- GSA continued to transfer property to SASPs with histories of selling high percentages of the property transferred to them, yet took little, or no, corrective action;
- Some SASPs transferred property to SBA 8(a) donees without the requisite SBA approvals designed to assure property was acquired for valid purposes;
- Significant discrepancies between State Agency records and GSA records were not resolved; and,
- Donees misuse of property was not detected and stopped.

These conditions resulted in less property available for the overall pool of eligible donees, and were caused, in part, by insufficient monitoring of the SASPs, a need to use more streamlined and efficient monitoring methods, and a need to implement allocation guidelines more consistently.

Donees we contacted during the audit underscored the importance of distributing the surplus property effectively. They expressed high degrees of satisfaction with the



property the program provided them. Many stated their programs would have great difficulty operating without it.

SASPs Did Not Notify, or Delayed Notifying, GSA when Property Was Not Picked Up.

Our audit showed that four of the seven SASPs we visited and one we interviewed by phone, did not pick up property and, either did not notify GSA, or notified GSA well after the fact. FMR § 102-37.60 states the transferee (or the transferee's agent) must remove property from the holding agency within 15 calendar days after authorized unless other arrangements are made with the holding agency. The GSA regional office that approved the transfer request must be notified if the SASP determines prior to pick-up that the property is no longer needed in order to give GSA a chance to re-allocate the property.

This issue surfaced when we compared SASP inventory records with transfer records recorded in GSA's transfer data set, initially on a sampling basis, then more comprehensively. We found some transfers were not picked up by SASPs, or substantial shortages occurred, and GSA was not notified, or was notified well after the fact.

In one case, 68 GSA transfer records totaling \$17,448,334 were identified that had no matching record in the SASP inventory records. The control numbers log for 18 records totaling \$17,044,661 indicated three transfer records had not been acquired by the SASP, 14 records had been designated for direct pickup by a museum, and one record was shown for direct pickup by an SBA contractor. The SASP showed awareness that a helicopter and plane included in the list were still outstanding, but was uncertain of the status of the remaining items. It was not clear whether they needed to be added to their receipts and the donee billed, or cancellation notices sent to GSA. The transfers were authorized between five and fifteen months prior to the inquiry, well beyond the allotted time for pickup.

When the inventory records for another SASP were compared to GSA's transfer records, 26 FY 2008 records with a total of about \$3.2 million were shown in both listings, but the SASP inventory records showed no receipt of the property. The GSA listing contained 20 additional records that totaled about \$13.2 million that had no corresponding record in the SASP inventory. In both cases it appeared the property was not picked up, and the SASP either did not notify GSA, or GSA did not enter the information when cancellation notices were sent. However, after approximately two months, the SASP was not able to explain the discrepancies, or provide any evidence cancellation notices were sent to GSA.

Another SASP did not have Federal warehousing capability and relied on its customers to arrange for property pick-up with the holding agency. One of its customers, an SBA 8(a) contractor, obtained authorization to directly pick up large quantities of property. Based on a letter the SASP issued to the company on July 7, 2008, the company had picked up less than half of the property transferred to it. As of June 18, 2008, the total



transfers to the company were at least \$4.5 million. Our review disclosed that some property the contractor did not pick up, such as earth moving equipment, were desirable items other SASPs had sought unsuccessfully to acquire. Further, some property it did acquire had no relationship to its business, and other property was not utilized.

The records for another SASP showed a combat aircraft was allocated for direct pickup in March 2001. On May 30, 2007, more than six years after the original transfer authorization, the SASP canceled the donation because the museum did not have the funds required to acquire the plane. The aircraft was subsequently donated to a museum in another state, but in a deteriorated condition.

In another case, comparison of the receipts with GSA transfer records disclosed SASP inventory shortages of 43 mobile homes and seven travel trailers authorized in March and April, 2007. The shortage reports were not forwarded to GSA until December 2008, more than 18 months later, after we inquired about them.

Allocations to SASPs with High Sales Rates. Some SASPs sold high percentages of the property they acquired. In FY 2007, the quarterly report of activities for four SASPs showed sales exceeded 25 percent of the value of their reported receipts, and in FY 2008, 15 SASPs reported sales in excess of 25 percent. Personal Property's guidelines state the donation rate should be 75 percent, or more, of the property transferred to a SASP. From this it can be inferred that those with sales rates in excess of 25 percent had donation rates below 75 percent.

Although SASPs must frequently rely on anticipated demand rather than a firm requirement to meet donee needs, excessive misjudgment resulting in sales should not be rewarded by continued allocations because excess sales reduce the amount of property available to the overall pool of SASPs and donees. FMR § 102-37.195 states a SASP should generally have a firm requirement or anticipated demand for any property requested. FMR § 102.37.100 states "GSA allocates property among the SASPs on a fair and equitable basis using the following factors: [which include] (f) past performance of a SASP in ...making prompt distribution of property to eligible donees."

In some cases, the high sales rates appeared to be anomalies caused by SASPs not clearing out old inventory on a regular basis, or because warehouses were being closed. But in other cases, relatively high sales rates appeared to be the norm, with little apparent impact on the amount of property they continued to receive. When a regional Personal Property office did note high sales rates, as we found in one region's review, the region had little control over the property the SASP received because the property was allocated by other regions.

Although there were a limited number of states with high sales rates, those SASPs with high donation rates, and consequently, low sales rates, should get precedence over those with low donation rates.



Release of Property without Required SBA Approval. Our on-site reviews disclosed two SASPs released property to SBA 8(a) contractors without the requisite SBA approval of the property acquired, while others complied. Those SASPs that did not comply with the requirement could not assure the property sought would be used for legitimate purposes. At one SASP, we found sizable transfers of property to an 8(a) contractor that we determined were unrelated to the company's operations, and we found stockpiling of property that was not put to use.

13 CFR § 124.405(d)(3) states that, upon the receipt of required certifications and representations, the SASP must contact the appropriate SBA field office and obtain the SBA's verification that the concern seeking surplus property is eligible and that the identified use of the property is consistent with the concern's business activities. Property shall not be released without this verification. SBA officials stated the verification was to be obtained on a transfer by transfer basis.

In the case where the contractor obtained property unrelated to its operations, the SASP had established a memorandum of agreement with the Small Business Administration (SBA) allowing the SBA's 8(a) business development program participants access to surplus property. The 8(a) participants had equal access to donated property as other donees. A key provision of the memorandum of agreement stated the SASP would withhold any proposed surplus property transfer to an 8(a) participant until the SASP received written confirmation from the servicing SBA district office verifying both the participant's eligibility, and that the proposed use of the property was consistent with the participant's normal business operations. The SASP had not obtained these confirmations.<sup>9</sup>

The 8(a) firm received transfers of Government surplus property unrelated to its business and in excess of its needs as a direct result of the failure to obtain SBA's prior approval. For example, the customer received a large quantity of a rare metal valued at \$745,000 that had no relationship to its line of business. The customer was also stockpiling Government surplus property, some of which had no relationship to its line of business. Obtaining SBA approval of the proposed transfers would have contained the problems.

The responsible GSA regional office had not reviewed the SASP operations since August 2002.

The SASP's June 30, 2008, quarterly report to GSA showed no SBA transfers. However, we identified at least \$4.5 million dollars in SBA 8(a) transfers during this period.

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<sup>9</sup> We found an almost complete lack of communication between the SASP and the servicing SBA district office during calendar year 2008. The memorandum of agreement contained other provisions regarding records and notifications that were not met.

Discrepancies between SASP Records and GSA Records. We found three instances of large imbalances between transfer records maintained by GSA and Federal receipts reported by the individual SASPs on their quarterly reports to GSA<sup>10</sup> and lesser disparities with other SASPs. For one SASP, GSA records showed \$11 million more in property transferred in FY 2007, and \$34.8 million more in FY 2008, than the SASP showed as received. For another SASP, GSA records showed \$18.2 million more in property value transferred in FY 2007, and \$20 million more in FY 2008, than the SASP showed as received. For a third, GSA records showed \$1.4 million more in property value transferred in 2007 and \$22.8 million more in FY 2008, than the SASP showed as received.

The donation handbook states GSA should analyze and use the information shown in the reports to evaluate state agencies' performance in carrying out their donation activities.<sup>11</sup> We found little evidence this was being done. As a result, important conditions that needed management attention were not identified.

The importance of the quarterly reports as a management control is reflected in GSA's periodic SASP reviews, wherein the quarterly reports are summarized in detail. Although we found current quarter ending inventories were erroneously applied, and mistakes in self-calculating fields tended to perpetuate themselves, the quarterly GSA Form 3040 reports are an important management control that provides a quarterly snapshot of a SASP's donation activity.<sup>12</sup>

When coupled with Personal Property's transfer records, the comparisons provide further assistance understanding donation activity and potential problem areas. We compared GSA transfer record totals with the total receipts the SASPs reported on their quarterly reports, and in some cases found large discrepancies between the two. The discrepancies, as well as aiding in sample selection, helped to identify many of the weaknesses outlined above. Greater use of these reports and data would help Personal Property officials identify potential problem areas.

Undetected or Unchallenged Abuses. We found three instances of undetected and unchallenged misuse of donated property. Surplus equipment not placed in use resulted in less available equipment for legitimate donee needs. More frequent

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<sup>10</sup> FMR § 102-37.360 requires SASPs to submit a GSA Form 3040, State Agency Monthly Donation Report of Surplus Personal Property to the appropriate GSA regional office on a quarterly basis. The report format is beginning inventory; receipts by type; donations and miscellaneous distributions by type; and ending inventory.

<sup>11</sup> Refer to Chapter 10, paragraph 4(a) of GSA Order FSS P 4025.5 (CHGE 4).

<sup>12</sup> The 3040 report calculates an ending inventory for the current quarter and the last four quarters. For unknown reasons, the ending inventory for the current quarter is applied as the beginning inventory for the last four quarters. The ending inventory for the current quarter should equal the ending inventory for the last four quarters; however, it never does. The ending inventory and beginning inventory fields are self calculating; therefore, data entry mistakes by the SASPs are perpetuated each quarter.



Personal Property reviews of SASP operations would help to minimize such occurrences.

In one state, we found that five mobile homes valued at \$125,000 had been sold while in the compliance period. In another, we found trailers stored for emergencies were housing personnel during non-emergency periods while still under restriction. We referred the one instance for investigative action, and the other to the SASP for compliance enforcement.

In a third state, we found significant documentation and billing problems. It had incurred over \$440,000 in unpaid service fees. The SASP had not established an effective follow-up system to ensure that customers: (i) acquired property in a timely manner, (ii) provided signed distribution documents, (iii) were billed promptly, (iv) and paid the bills. Even though one donee continually disregarded charges, the SASP authorized additional donations that eventually totaled about \$9 million.

In addition to Personal Property not reviewing its operations for about six years, the SASP's quarterly GSA Form 3040 submissions showed negative inventory balances, and large imbalances between receipts and donations. A comparison of the GSA transfer records to the receipts shown on the SASPs GSA Form 3040 reports for FY 2008 showed about \$34.8 million more in property transferred to the SASP than the SASP reported.

We noted the Personal Property offices were behind in their reviews of SASP operations. The State Agency Check List the regions use in reviewing the SASPs is a 26 page document, and the Civil Rights Survey for the Office of Civil Rights, which the regional offices typically complete when doing the SASP reviews, is an additional nine page document consisting of 63 questions. Completed reviews also included lengthy attachments. The reviews appeared to require considerable time and effort to complete. Although extensive, detailed reviews may be warranted in some cases, the difficulty regions experienced in completing the reviews indicated a need for a more streamlined approach. Greater use of the data available in GSAXcess® to highlight potential problems, and a re-evaluation of reviews to identify the most critical components should result in a procedure that could be completed faster and more often, improving oversight of the SASPs.

### Recommendations

We recommend to the Assistant Commissioner, Office of General Supplies and Services, that the Office of Personal Property Management:

1. Enhance the monitoring of the State Agencies for Surplus Property by:
  - A. Placing greater reliance on internal GSA automated records to assist in identifying potential problem areas,



- B. Evaluating the SASP review procedures to determine if they can be simplified and carried out more frequently, and
- C. Assuring SASPs' sales and donation rates are factored into allocation decisions.

### Management's Response

The Commissioner, Federal Acquisition Service, concurred with Recommendations 1.A and 1.B. He partially concurred with Recommendation 1.C (formerly numbered 1A. iii), which stated "Assuring SASPs with high donation rates are given precedence when property is allocated." The commissioner noted:

By statute, the basic criterion for donation is the need of the recipient. However, SASPs with the greatest need are not always the SASPs with the highest donation rates. Another consideration is that donation rate is only one of the criteria utilized in the allocation process. Other criteria, such as previous receipts of same or similar items, may also warrant higher consideration than donation rate in making an allocation, especially for high demand, rarely available items. Within these constraints, we understand and concur with the importance of the donation rate as an allocation factor in deciding competing requests for surplus property.

We agree with the Commissioner's comment and have rewritten the recommendation accordingly.

The Commissioner's full response is provided in Appendix B.

### **Finding 2 – Processing Donations Outside of GSAXcess®**

We found that extensive reliance on donations manually processed outside the GSAXcess® system, also referred to as non-reported property, resulted in: (1) reduced assurance all parties with valid interests knew when property was available; (2) missing entries in GSA's system; and (3) less traceability and transparency, which increased the potential for abuse. We did not find evidence property processed outside the system was improperly allocated. Donations were handled in this manner because of historic practice and expediency.

Manually prepared donations are recorded in the automated system after they have been completed. For these transactions, a Federal agency with excess property typically notifies an Area Property Officer (APO) rather than entering the information directly into GSAXcess®. The APO can enter the information into GSAXcess®, but in these case elects to process it outside the automated system.

When handled outside the system, the APO screens and allocates the property without the wide-spread advertising GSAXcess®<sup>13</sup> provides. If a user is found, the APO manually prepares a transfer document and is supposed to record the transfer in GSAXcess® once the transfer has been completed. The control numbers for these entries are shown with the prefix "ZP".

It was sometimes pragmatic to make donations outside the system. High-security property transfers or rushed office moves requiring quick property removal were examples of appropriate uses of this method. Federal Emergency Management Agency (FEMA) trailers were screened and allocated at remote locations which sometimes made reporting and allocating through GSAXcess® impractical. However, manually processed donations accounted for about 28 percent of the total donations that were recorded in the automated system in FY 2007, and 23 percent in FY 2008.

When we compared SASP inventory records with Personal Property Transfer records, the SASPs records listed transfers that were not recorded in the Personal Property records. Although we were not able to obtain as much confirming documentation as we desired, we did find indications that some manually processed donations were not recorded in GSAXcess®.

Identifying the APO or other GSA official that authorized donations using manually prepared documents and, locating copies, was difficult. For instance, when we asked regional officials for copies, we were informed they did not have them. The issuing APOs were the only sources for copies of the documents and details of the donations.

Processing property outside the system in some cases was inappropriate. For example, early in our review, we found 98 percent of the aircraft were not advertised in GSAXcess®.<sup>14</sup> Personal Property personnel told us that for aircraft: (i) traditional methods of disseminating information (facsimile, phone call, email, etc.) were adequate means of reaching the Federal and surplus aircraft community; and (ii) GSAXcess® was not originally designed to accommodate the documentation associated with aircraft disposition.

Although GSA personnel informed us that all interested parties were notified of aircraft available for donation, they could not provide any evidence other than that donations took place. We found numerous examples of missing letters of intent and letters of attestation, and unsigned or missing distribution documents. The official donation files were kept in a personal residence of an employee who worked at home in a different state remote from the Regional Office. This practice raised our concerns for the

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<sup>13</sup> GSAXcess is GSA's on-line system for reporting, screening and allocating excess or surplus property and represents the preferred methodology.

<sup>14</sup> The amount shown (98 percent) was based on acquisition value and represented fiscal year 2007. Aircraft were both fixed wing (FSC 1510) and rotary wing (FSC 1520).



security of the Government records and the degree of management oversight exercised over the employee. We discussed our concerns with the appropriate FAS officials.

We found that 16 of the aircraft donations, totaling \$19.8 million, were not entered into GSAXcess®, and that manually processed donations of aircraft and other property were recorded long after they took place. There was no firm explanation why they were not recorded. In our opinion, failing to do so greatly reduced their transparency and traceability, and increased the opportunities for abuse. When not recorded in GSAXcess®, management had little way of knowing when excess property became available and was donated.

To locate copies of manually processed donations that were listed in GSAXcess®, we went to the APOs responsible for their issuance because copies were not kept in central locations. Determining the responsible APO for aircraft was relatively simple because aircraft were handled from one location. However, for most property, the responsible APO was not readily apparent. This further reduced the transparency of these transactions.

We did note, however, as the audit progressed that more excess aircraft were advertised and processed through GSAXcess®.

### Recommendations

We recommend that the Assistant Commissioner, Office of General Supplies and Services, that the Office of Personal Property Management:

2. Minimize the processing of property outside the GSAXcess® system whenever possible; and
3. Ensure donations processed outside GSAXcess® are promptly recorded in the system.

### Management's Response.

The Commissioner, Federal Acquisition Service, concurred with recommendation Numbers 2 and 3. His full response is provided in Appendix B.

### **Internal Controls**

Control weaknesses noted during the audit have been addressed in the report.

**AUDIT OF  
PERSONAL PROPERTY MANAGEMENT  
DONATION PROGRAM  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A080104/Q/5/P09003**

**DONEE VISIT SUMMARY<sup>15</sup>**

<b>State</b>	<b>Customers</b>	<b>Items in Sample</b>	<b>OAC in Dollars</b>	<b>Items Found</b>	<b>Exceptions</b>
Arkansas	23	94	2,983,598	89	5 <sup>16</sup>
California	7	22	1,318,135	22 <sup>17</sup>	0
Nevada	1	37	4,054,681	37	0
Texas	1	1	1,400,000	1	0
Pennsylvania	3	6	203,817	6	0
Alabama	3	4	229,993	4	0
Illinois	3	7	119,984	7	0

<sup>15</sup> The compliance reviews were announced in advance. Generally, with some exceptions, SASP customers were selected based on geographical proximity. We generally selected items for review which possessed a serial or other identifying number and were in their conditional period of restriction.

<sup>16</sup> An Arkansas donee had been transferred eight (8) mobile homes, valued at \$200,000, on January 28, 2008. The mobile homes were in the conditional period of restriction at the time of our compliance reviews, which occurred during March 2009.

The state customer was chosen for review because they owed the Arkansas SASP over \$22,000. We contacted a representative of the donee to arrange a compliance review; however, the representative told us that the mobile homes had been sold for personal gain by a former official of the donee organization.

We located five (5) of the mobile homes in Plumerville, Arkansas. A business manager confirmed that the homes had been sold to his organization by a representative of the donee. We visited the state customer's business address in Morrilton, Arkansas; however, we were unable to meet with any of the customer's officials.

The Arkansas SASP's attempts at compliance had stalled due to an inability to contact the donee.

<sup>17</sup> We selected one donee for review because it had been transferred almost \$9 million in property during 2008. We made a compliance visit to the donee and noted several pieces of transferred equipment that were not being used. The donee's principals told us that that the transferred Government equipment was being stored in anticipation of securing contracts for future work in the public and private sectors. We were not shown a signed contract. The firm also had been donated at least three (3) items for which it had no business purpose. This included a substantial quantity of a rare element, valued at around \$745,000, which in ore form is a National Defense Stockpile item.



AUDIT OF  
PERSONAL PROPERTY MANAGEMENT  
DONATION PROGRAM  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A080104/Q/5/P09003

MANAGEMENT'S RESPONSE TO THE DRAFT REPORT



GSA Federal Acquisition Service

AUG 5 2009

MEMORANDUM FOR DAVID K. STONE  
REGIONAL INSPECTOR GENERAL FOR AUDITING  
GREAT LAKES REGION (JA-5)

FROM: JAMES A. WILLIAMS *James A. Williams*  
COMMISSIONER  
FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: GSA DRAFT REPORT: Audit of Personal Property Management  
Donation Program, Federal Acquisition Service  
(A080104)

Thank you for your thorough review of the operations of the Federal Surplus Personal Property Donation Program. The Federal Acquisition Service has reviewed the report and we generally concur with each of your recommendations. Specific comments on each recommendation are provided in the attached statement.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Ms. Cathy Fick at (703) 605-5452 or [Catherine.fick@gsa.gov](mailto:Catherine.fick@gsa.gov) for additional information.

Attachment

cc: Theodore Stehney  
Assistant Inspector General for Auditing (JA)

U.S. General Services Administration  
2200 Crystal Drive  
Arlington, VA 20406-0003  
[www.gsa.gov](http://www.gsa.gov)



MANAGEMENT'S RESPONSE TO THE DRAFT REPORT  
(Continued)

FEDERAL ACQUISITION SERVICE COMMENTS  
ON THE GSA DRAFT REPORT, AUDIT OF PERSONAL PROPERTY  
MANAGEMENT DONATION PROGRAM (A080104)

**Recommendation 1A.** Enhance the monitoring of the State Agencies for Surplus Property (SASP) by:

- i. Placing greater reliance on internal GSA automated records to assist in identifying potential problem areas

**RESPONSE:** Concur. The Office of Personal Property Management (PPM) will implement processes to increase the monitoring of SASP activities and reporting through the data available in GSAXcess® and associated reporting functions. We will develop additional reports to summarize data reported by SASPs on the 3040 report to make better use of the data provided. These reports will be available to regional Property Divisions for increased oversight of SASP operations and preparation for visits to/reviews of SASPs. Central Office will monitor state review reports to determine the need for procedural, regulatory or systems changes, and the regional Property Divisions will focus on the progress of SASPs in correcting discrepancies and procedural deficiencies identified in the review reports.

- ii. Evaluating the SASP review procedures to determine if they can be simplified and carried out more frequently

**RESPONSE:** Concur. PPM will work with the regions to review and revise, as appropriate, our current SASP review checklist. We will also work with the regions to ensure that our current 2-4 year cycle is met. While adhering to this requirement will result in more frequent reviews, we have not yet determined if we will need to further reduce the allowable cycle of SASP reviews. PPM will review the procedures and guidelines established for SASP reviews to determine the most effective combination of self-reporting, electronic monitoring, and site visit frequency to support the primary goal of the donation program, which is to maximize donation of property in a fair and equitable manner to qualified donees. Measures to be considered include increased reliance on completion of review checklists prior to visits to allow for concentration on critical factors during the visit. We will also consider unannounced reviews and reviews targeting only a specific transaction or a series of transactions in addition to the reviews scheduled per our 2- and 4- year cycle. This approach will be considered for completion of the Civil Rights checklists as well.

Site visits will concentrate on the four major elements of the donation program:

- Property and Inventory Control
- Financial Records and Controls
- Eligibility
- Compliance

We will also continue to include donee visits in the review process.



MANAGEMENT'S RESPONSE TO THE DRAFT REPORT  
(Continued)

2

- iii. Assuring SASPs with high donation rates are given precedence when property is allocated.

**RESPONSE:** Partially concur. By statute, the basic criterion for donation is the need of the recipient. However, SASPs with the greatest need are not always the SASPs with the highest donation rates. Another consideration is that donation rate is only one of the criteria utilized in the allocation process. Other criteria, such as previous receipts of same or similar items, may also warrant higher consideration than donation rate in making an allocation, especially for high demand, rarely available items. Within these constraints, we understand and concur with the importance of the donation rate as an allocation factor in deciding competing requests for surplus property. We held a nationwide Allocation Workshop in Atlanta in February 2009, and will continue to hold such training periodically, to ensure greater consistency in our allocation process, which includes consideration of the donation rate as one of the more significant factors. Accordingly, while the Donation Program will continue to emphasize this factor as appropriate, we will also continue to apply all allocation criteria in each case to most effectively achieve the overall goals of the program and maximize our efforts to keep the Donation Program viable in all States and territories.

**Recommendation 2A.** Minimize the processing of property as non-reported whenever possible.

**RESPONSE:** Concur. We will develop a report to track non-reported transactions to identify trends and possible areas where non-reported transactions can be curtailed. To assist in managing cases where non-reported transfers are prudent, we are modifying GSAXcess® to collect additional information about non-reported transfers, to include reason(s) for non-reported transactions and the individual making the decision, Activity Address Codes of the reporting and gaining activities, and cities where the property is held and to which it will be transferred.

**Recommendation 3A.** Ensure non-reported transfers are promptly recorded in GSAXcess®.

**RESPONSE:** Concur. The systems changes referred to in response to recommendation 2A above will help ensure the accurate and timely recording of non-reported transfers. This will be done by recording the date of the transfer as well as the date of the transfer transaction being processed in GSAXcess®.

**APPENDIX C**

AUDIT OF  
PERSONAL PROPERTY MANAGEMENT  
DONATION PROGRAM  
FEDERAL ACQUISITION SERVICE  
REPORT NUMBER A080104/Q/5/P09003

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