



The Commonwealth of Massachusetts
Office of the Inspector General

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Alex Giannantonio
Director of Fleet Policy and Administration
Operational Services Division
One Ashburton Place, Suite 1017
Boston, MA 02108

Re: State Surplus Property Office

Dear Mr. Giannantonio:

The Office of the Inspector General (OIG) recently completed a review of the Operational Services Division's (OSD) State Surplus Property Office (SSPO). The OIG initiated this review after a previous OIG investigation found that a state employee fraudulently obtained a significant amount of surplus state property for personal purposes. The employee's agency terminated the individual and the relevant prosecutorial authority reviewed the matter for potential legal action. The investigation revealed significant internal control weaknesses that prompted the review of the SSPO program.

In May 2015, the OIG presented its review findings and recommendations to OSD staff and requested that the OSD respond with a corrective action plan. In June 2015, the OSD provided the OIG with a corrective action plan and revised operational objectives. This letter summarizes the steps taken by the OIG and the OSD to enhance SSPO program controls and increase its potential financial and operational benefits to the Commonwealth.

SSPO Program Overview

Periodically, state agencies submit surplus state property¹ lists to the SSPO as required by state law. Surplus property includes items that state agencies no longer need or want. The SSPO routinely compiles these submissions and publishes a list of "Surplus Property Available to Public Entities" on the OSD's website. Any state agency can then claim a surplus item from the listing agency, free of charge, for a period of up to 60 days. After 30 days, municipalities, and after 50 days, not-for-profits may also claim these items for a nominal administrative fee. If no

¹ Excluding surplus real estate. The Department of Capital Asset Management and Maintenance manages real property disposition.

entity claims an item after 60 days, the SSPO issues a “release letter” to the submitting agency. The release letter allows the agency to sell the items to the general public through an auction or sealed bid, or “trash” the item if the agency declares the item worthless. Proceeds from any auctions or sealed bids must be remitted to the SSPO.

SSPO Vulnerabilities

The OIG identified the following SSPO vulnerabilities:

1. The SSPO allowed agencies to declare property worthless without exercising any oversight or control as required by 802 CMR 3.06(4)(d). Any state employee could declare any property worthless, and then take possession of or dispose of the property as he saw fit. This vulnerability invites theft and conflict of interest law violations (M.G.L. c. 268A).
2. The SSPO maintained inadequate records. The SSPO often waived paperwork requirements, conducted the majority of its work through email and telephone conversations, and had poor internal recordkeeping of surplus property transfers.
3. The SSPO does not maintain a list of authorized agency-level surplus property coordinators. As a result, any state employee could submit or claim surplus state property from the SSPO. The SSPO had no mechanism to ensure that employees did not claim items for personal purposes rather than for their agencies.
4. The SSPO failed to require agencies to submit a signed transfer authorization form as required by 802 CMR 3.06(4)(a). Therefore, SSPO has no evidence to support the transfer of surplus items.
5. The SSPO did not proactively advertise available surplus property to state agencies to reduce new product acquisition costs.
6. The SSPO failed to obtain full value for unclaimed items. Rather than advertise unclaimed items for sale directly to the general public, the SSPO relied on individual agencies to conduct public auctions or otherwise sell or dispose of the items. However, agencies had little incentive to conduct such a process because the proceeds had to be transferred to the SSPO.
7. The SSPO accepted personal property from certain state facilities that should have been disposed of through the State Treasurer’s Unclaimed Property Division. The SSPO had few controls for the disposition of this property.
8. The SSPO has no mechanism to identify when state agencies fail to follow surplus property regulations.

9. The SSPO does not have enough staff to meet all of its responsibilities and operational objectives. Staff reported that over time, OSD has reduced the size of the SSPO from six full-time employees to a current single part-time employee.
10. The SSPO regulations have not been updated since 1996 and no longer reflect current practices.

OIG Recommendations

In May 2015, the OIG recommended improving SSPO internal controls and operational effectiveness. The OIG formulated these recommendations based on the vulnerabilities identified in the review findings, conversations with OSD staff, and best practice research from other state surplus programs including New York, Connecticut, Georgia and Pennsylvania.

The May 2015 recommendations included maintaining a list of agency-level surplus property coordinators, enhancing recordkeeping to create an audit trail, introducing controls and guidelines for declaring property worthless, and having a uniform process for valuing surplus property.

The OIG also recommended advertising surplus property to a greater audience, ensuring that personal property is given to the Unclaimed Property Division, and implementing a process to sell unclaimed surplus property to the general public using online marketplaces such as ebay.com and govdeals.com. A primary objective for the SSPO should be to obtain the best value for the Commonwealth either through the reuse or sale of surplus state property.

To improve its program oversight, SSPO should identify non-compliant agencies and increase overall participation in the surplus property program. OSD should work with the Office of the State Auditor and the Office of the Comptroller to ensure that agencies appropriately inventory, value, control and dispose of their assets pursuant to state policies, regulations and sound business practices.

OSD Corrective Action Plan

The OSD corrective action plan includes:

1. Modifying state surplus property regulations;
2. Developing more detailed policies and procedures;
3. Introducing stronger internal controls;
4. Increasing communication with state agencies;

5. Updating the list of agency-level surplus property coordinators;
6. Developing an electronic recordkeeping process;
7. Disseminating a monthly newsletter to executive branch agencies to promote available surplus property;
8. Increasing the use of auction websites to sell surplus items to the general public and increase state revenues; and
9. Identifying agencies that have not used the surplus property program to verify and enhance compliance.

The corrective action plan has time-bound deliverables with an expected completion date at the end of FY2016. OSD also reorganized the SSPO's reporting structure to improve efficiency and is seeking to increase SSPO staffing levels. The revised SSPO operational objective stresses the importance of ensuring maximum financial and operational benefit to the Commonwealth through increased program promotion and oversight.

Conclusion

The OIG appreciates OSD's prompt attention to the OIG concerns. By implementing the proposed corrective action plan and ensuring that adequate oversight, controls and safeguards are in place, the SSPO can significantly decrease its vulnerability to fraud, waste and abuse. Furthermore, the SSPO can increase its operational effectiveness and financial return to the Commonwealth. Moving forward, the OIG recommends that OSD consult with the Office of the State Auditor and Office of the Comptroller to ensure that the purchase, control and disposition of state assets are effectively monitored and audited. Please do not hesitate to contact this office if you have any questions, concerns or require additional assistance.

Sincerely,



Glenn A. Cunha
Inspector General

cc: Gary Lambert, Assistant Secretary for Operational Services
Peter Scavotto, Quality Assurance Bureau Director, Office of the Comptroller
Kenneth Woodland, Deputy Auditor for Audit Operations, Office of the State Auditor