

**Date**

December 22, 2010

To

Robert Tapella, Public Printer

From

J. Anthony Ogden, Inspector General

A handwritten signature in blue ink, appearing to read 'J. Anthony Ogden', is written over the 'From' line.

Subject**Management Implication Report on Surplus Property Management**

PURPOSE:

During the course of a recent investigation regarding the alleged theft of GPO property items (I-2009-0028), the Office of Inspector General (OIG), Office of Investigations (OI) found serious lapses in the management of GPO surplus property. The OIG determined that the Quality Control & Inventory Management (QCIM) Department failed to adhere to property management requirements in GPO Directives 805.7B and 810.11B. This led to the disposal of GPO property without proper authorization and accountability. Moreover, the investigation found that both directives were outdated, inaccurate, and insufficient. This Management Implication Report (MIR) addresses these findings and offers recommendations to improve and enforce the directives.

BACKGROUND:**GPO Property Management and Disposition Requirements**

GPO Directive 810.11b makes Property Managers (PM) responsible for determining when all property under their control is excess or no longer serviceable, and for returning the excess property to the Stores Division (now designated as the Shipping/Bailing Section (SBS)), Materials Management Service (now designated as the Transportation and Logistics Branch (TLB)). Property Management Assistants (designated by the Property Managers) use GPO Form 2051, Return to Stores (RTS) Form, to document transfers of property to TLB for disposition as authorized by their respective Property Manager. The SBS then receives, reviews, and classifies

returned items of property as either: (1) serviceable; (2) scrap; or (3) sale and/or trade-in. Per this directive, TLB is also required to use the Automated Surplus Property System (ASPS) to account for surplus property returned to TLB for disposition.

GPO Directive 805.7b specifically defines surplus *accountable* property as "any furniture, fixtures, office equipment, and capitalized equipment that is surplus to organizational needs or is no longer serviceable." It further mandates that the disposition of surplus *accountable* property requires an additional authorization from the General Accounting Division (GAD), Office of Financial Management. The original acquisition value for the surplus *accountable* property must also appear on the RTS Form along with an authorized signature from the GAD.

The Board of Survey or Stores Division Review Board (SDRB) reviews and authorizes the disposition of any surplus property, paper, or material in accordance with applicable regulations. TLB then disposes of property no longer needed by the GPO through sale, exchange, or other authorized disposal means. Property Managers and Property Management Assistants are prohibited from discarding property without proper authorization from TLB.

Finally, GPO Publication 840.7 requires that official records documenting the sale of surplus or excess property to the public be maintained as follows: records of sales over \$25,000 must be maintained for a minimum of six years; and records of sales under \$25,000 must be maintained for a period of three years.

Allegations of Misappropriation of Surplus Government Property

In July 2009, the Uniformed Police Branch (UPB) referred allegations of possible misappropriation of surplus government property by a GPO employee. The complaint alleged that GPO property was removed from GPO without proper authorization.

A subsequent OI investigation (I-2009-0028) found that a GPO employee was able to purchase the property without RTS forms reflecting SDRB authorization for a disposition by sale. Our investigation found that the employee's lack of candor, coupled with a failure by GPO employees and management to follow relevant policies and procedures, enabled the employee to acquire the property items without documented approval.

The investigation further determined that GPO officials failed to follow existing policies and procedures for the return of surplus property. As a result, the employee was able to acquire the property, valued at \$600.00, for only \$10.00.

Finally, the OI investigation found that a staff person in QCIM knowingly allowed the employee to purchase other equipment without an approved RTS form (a form was generated only after management officials learned of OI's investigation). This matter has been forwarded to management for administrative action consideration.

PROBLEMS IDENTIFIED:

To date, our investigation has revealed the following:

- GPO directive 810.11B requires incidents of lost, missing, stolen, or recovered GPO property be immediately reported to the UPB. Our investigation showed that QCIM officials routinely failed to comply with this reporting requirement. In fact, a senior QCIM manager and a Materials Processing & Recycling Group (MPRG) employee both admitted to frequently losing low value items of surplus property like chairs and not reporting them as missing to UPB.
- GPO Directive 805.7B and GPO Directive 810.11B both require that surplus property be returned for disposition using an RTS form. However, our investigation found that surplus property was returned to MPRG and sold without approved RTS forms. One GPO employee made twenty purchases, including approximately seven fork lift trucks, from the Surplus Store between April 2000 and May 2009. However, QCIM was only able to produce an approved RTS form for one of the twenty purchases – a form for the two air compressors that was generated only after OI had already begun its inquiry.
- There are no GPO directives or standard operating procedures detailing how surplus property will be priced and sold or donated from the Surplus Store. MPRG arbitrarily sets the price for property items sold from the Surplus Store with no guidance or oversight by management officials in QCIM.
- There are no GPO directives or standard operating procedures specifying what documents are required to remove purchased surplus property from GPO property. Indeed, there is disagreement among personnel responsible for removing surplus property over what documents are required to complete the process. For example, a Special Police Officer interviewed as part of our investigation explained that GPO employees are required to present a Property Equipment and Removal Pass (PERP) when removing surplus property purchased from GPO premises. Although one senior QCIM manager concurred with the officer, other QCIM managers stated that

a GPO Delivery Receipt (GPO Form 2010), a GPO Office of the Comptroller Receipt (GPO Form 304), and a sales memorandum were instead required.

- There are no GPO directives or standard operating procedures instructing GPO employees on when surplus property may be removed from GPO premises; moreover, there is disagreement among QCIM on this issue as well. For example, one staff person stated that GPO employees are allowed to remove property items they purchased during the weekend, two QCIM managers stated that GPO employees are not allowed to remove surplus property purchased during the weekend, and a third QCIM manager stated that GPO employees are not allowed to remove surplus property during the weekend unless someone from the MPRG or the SBS is present.
- GPO Directives 805.7B and 810.11B are both outdated. GPO Directive 805.7B has not been updated since June 25, 1993 and GPO Directive 810.11B has not been updated since June 6, 2003. As a result, the directives contain terminology and references that are no longer applicable.

RECOMMENDATIONS:

The OIG recommends that GPO management consider the following corrective actions:

1. To encourage the lawful disposition of surplus property and surplus property accountability, we recommend that GPO hold PMs accountable for all property under their control that is not disposed of through QCIM in accordance with GPO Directives 805.7B and 810.11B. QCIM management should then be held accountable for failures to properly dispose of property that has been released to them by PMs. PMs and QCIM management should both be held accountable for failures to adhere to reporting requirements in GPO Directive 810.11B, including not reporting lost, missing, or stolen surplus property. Finally, we recommend that GPO management consider any surplus property disposed of in a manner inconsistent with GPO Directives 805.7B and 810.11B as misappropriated or stolen.
2. We recommend that GPO formalize, in writing, a donation and bidding process for disposing of surplus property items that aligns with 41 CFR § 102-37 and 38, the U.S. General Services Administration Federal Surplus Personnel Property Program. Currently, GPO Directives do not address how to implement the

Public Printer's authority to transfer or donate surplus property under 44 U.S.C. § 318(a). In addition, minimum pricing guidelines should be adopted, formalized, and advertised to eliminate the subjective and potentially biased pricing methods currently in use.

3. We recommend that GPO, as part of the proposed plan outlined in the Chief Management Officer's response to GPO OIG Audit Report 11-02, revise GPO Directives 805.7B and 810.11B to specify what documentation is required to remove surplus property from GPO grounds and when such surplus property may be removed.
4. We further recommend that GPO revise and consolidate into one directive GPO Directives 805.7B and 810.11B to address all outdated, inaccurate and duplicated information. For example, the OI reviewed the directives and noted that the following language needs to be updated: (1) references to the Materials Management and Control System and its subsystem, the Automated Surplus Property System, should be removed as they are now obsolete; (2) references to The Materials Management Service (MMS) should be changed to the Transportation and Logistics Branch (TLB); (3) the new directive should require return of surplus property to the Materials Processing & Recycling Group (MPRG); (4) and references to the Stores Division and to the Shipping, Receiving, Baling and Transportation Operations Section should be changed to the Shipping/Baling Section (SBS).

Please provide a written response to these recommendations by February 22, 2010. Should you have any questions or require additional information, please feel free to contact me or Matthew Elliott, my Assistant Inspector General for Investigations, at extension 2-0318.

cc: Reynold Schweickhardt, Chief Technology Officer
Paul Erickson, Deputy Public Printer
Herbert Jackson, Chief Management Officer
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