

Full Performance Evaluation

Purchasing Division

**The Surplus Agency Benefits Individuals
and Agencies of the State**

**The Surplus Agency Should Increase Customer
Participation and Its Use of Management Information**



JOINT COMMITTEE ON GOVERNMENT OPERATIONS

Senate

Edwin J. Bowman
Chair

Billy Wayne Bailey, Jr.
Vice Chair

Oshel B. Craigo

Sarah M. Minear

Vic Sprouse

House Of Delegates

Vicki V. Douglas
Chair

Earnest H. Kuhn
Vice Chair

Scott G. Varner

Larry Border

Otis Leggett

Citizen Members

Dwight Calhoun

John Canfield

James Willison

W. Joseph McCoy

(Vacancy)



OFFICE OF THE LEGISLATIVE AUDITOR

Aaron Allred
Legislative Auditor

John Sylvia
Director

Susannah Carpenter, CPA
Research Manager

Gail Higgins, MPA
Research Analyst

Performance Evaluation and Research Division

Building 1, Room W-314

State Capitol Complex

Charleston, West Virginia 25305

(304) 347-4890

WEST VIRGINIA LEGISLATURE
Performance Evaluation and Research Division

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

January 6, 2003

The Honorable Edwin J. Bowman
State Senate
129 West Circle Drive
Weirton, West Virginia 26062

The Honorable Vicki V. Douglas
House of Delegates
Building 1, Room E-213
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0470

Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Full Performance Evaluation of the Purchasing Division, which will be presented to the Joint Committee on Government Operations on Monday, January 6, 2003. The issues covered herein are "The Surplus Agency Benefits Individuals and Agencies of the State;" and "The Surplus Agency Should Increase Customer Participation and Its Use of Management Information."

We transmitted a draft copy of the report to the Purchasing Division on December 19, 2002. The Division opted not to have an Exit Conference. We received the agency response on December 23, 2002.

Sincerely,


John Sylvia

JS/wsc

_____ *Joint Committee on Government and Finance* _____

Contents

Executive Summary	5
Review Objective, Scope and Methodology	7
Issue 1: The Surplus Agency Benefits Individuals and Agencies of the State.....	9
Issue 2: The Surplus Agency Should Increase Customer Participation and Its Use of Management Information.....	13
FIGURE 1: Federal Surplus Program Participation in FY 2002.....	11
List Of Tables	
Table 1: State and Federal Surplus Property Revenues.....	16
Table 2: Surplus Agency Revenues, Expenditures and Cash Balances.....	17
List Of Appendices	
Appendix A: Transmittal Letter to Agency.....	21
Appendix B: Agency Response.....	23

Executive Summary

Issue 1: The Surplus Agency Benefits Individuals and Agencies of the State.

The State Surplus Agency, a section of the Purchasing Division, oversees the disposal of property from state agencies and from the United States Government. Each year, the Surplus Agency averages approximately \$2 million in revenues from the sale of federal and state surplus. The general public, state agencies and charitable organizations derive the benefit of surplus sales. In FY 2002, federal customers such as hospitals, schools, and fire, police and emergency services paid seven cents for every dollar spent by the federal government on the original cost of items. In addition, the State Surplus Agency provides a centralized way to oversee state agency property, and determine its appropriate disposal. In FY 2002, the general public was able to purchase a variety of state surplus including farm and road equipment, power tools, used vehicles and office furnishings. The Legislative Auditor concludes that there is a need for the State Surplus Agency.

Issue 2: The Surplus Agency Should Increase Customer Participation and Its Use of Management Information.

Both federal and state surplus sales are underutilized in that only 20% of possible federal customers are enrolled for federal purchases, and fewer than 4,000 state customers made state surplus purchases last year. Furthermore, the shopping process for both types of surplus is time-consuming and may present barriers to customers who are located at distances from the surplus warehouses. Greater use of the internet for auctioning products could increase participation, and remove many of the present barriers to purchasing items from this program.

Revenues from the sale of state and federal surplus support the Surplus Agency without general revenue funds. However, Surplus revenues are not increasing. A lack of management information hampers decision making, and may contribute to undercharging for the overhead costs associated with both federal and state surplus sales.

Recommendations

- 1. The Legislature should consider continuing the Surplus Agency.*

2. *The Surplus Agency should explore and implement ways to increase publicity about the federal and state surplus resale programs.*

3. *The Surplus Agency should utilize or develop an internet auction system to sell state and federal surplus items through its web site on the internet.*

4. *The Surplus agency needs to request more detailed accounting information from the Department of Administration, and utilize this information in decision-making.*

Review Objective, Scope and Methodology

This Full Performance Review of the Purchasing Division is required and authorized by the West Virginia Sunset Law, Chapter 4, Article 10, Section 5 of the West Virginia *Code* as amended. The State Surplus Agency, a section of the Purchasing Division, oversees the disposal of property from state agencies and from the United States Government. The State Surplus Agency provides a centralized means of disposing of state surplus property, and assists in the maintenance of the state inventory system.

Objective

The objective of this audit is to determine the effectiveness of the Purchasing Division's disposal of state and federal surplus property; whether benefits exist for governmental and charitable entities and citizens of the state; and if the program generates enough revenue to cover its expenses.

Scope

The state and federal warehouses, two public auctions, the state-wide sealed bid process, the federal surplus program, office procedures and internal controls, and financial records of the Surplus Agency were examined in Fall 2002.

Methodology

The Legislative Auditor examined *Code* requirements for the state and federal surplus programs, financial reports from the Department of Administration, individual sales reports for all federal surplus sold by West Virginia in FY 2002, and other documents provided by the agency; toured the warehouse facilities in September, and attended two auctions in September and November, 2002. This report was also developed from personal interviews, and telephone interviews with Surplus agencies in neighboring states. **Every aspect of this evaluation complied with Generally Accepted Government Auditing Standards (GAGAS).**

Issue 1

The Surplus Agency Benefits Individuals and Agencies of the State.

Each year, the Surplus program averages approximately \$2 million in revenues from the sale of federal and state property

The State Surplus Agency, a section of the Purchasing Division, oversees the disposal of property from state agencies and from the United States Government. Each year, the Surplus program averages approximately \$2 million in revenues from the sale of federal and state property. With regard to the disposal of state property, §5A-3-45 of the *Code* provides the Surplus Agency with the exclusive power to dispose of state commodities when they are obsolete, unusable, or no longer being used. West Virginia Code §5A-3-44(a) further discusses Surplus' powers to dispose of federal property as follows:

The state agency for surplus property is hereby authorized and empowered (1) to acquire from the United States of America such property....as may be usable and necessary; (2) to warehouse property acquired; and (3) to distribute the property to [eligible state and nonprofit institutions] within the state...

Both the state and federal surplus programs offer benefits to the citizens of the state. In the federal program, goods are provided to eligible customers, such as fire departments and state agencies, at a considerable discount from the original cost. The state program is available to the public, and includes such items as vehicles, farm and road equipment, and office furnishings.

In addition to the benefits individuals and agencies derive from the Surplus Agency, the program of state surplus provides a centralized location for the disposal of state property. If this program were not available, state agencies would have to dispose and store items themselves. This could result in the inconsistent and improper disposal of state property. In addition, the disposal of state property through a centralized location assists in the maintenance of the state's inventory system. **The Legislative Auditor determines that there is a need for the State Surplus Agency.**

Surplus Customers Stretch Budgets, Gain Bargains

Both the federal and state surplus programs benefit the public. During FY 2002, the Surplus Agency obtained federal goods valued at over \$3 million when new and sold them to eligible customers for \$241,395. Such items as equipment, materials, books and other supplies were distributed for education, fire protection and prevention, rescue and public health purposes. In obtaining federal property, the State does not pay for this property, but is responsible for

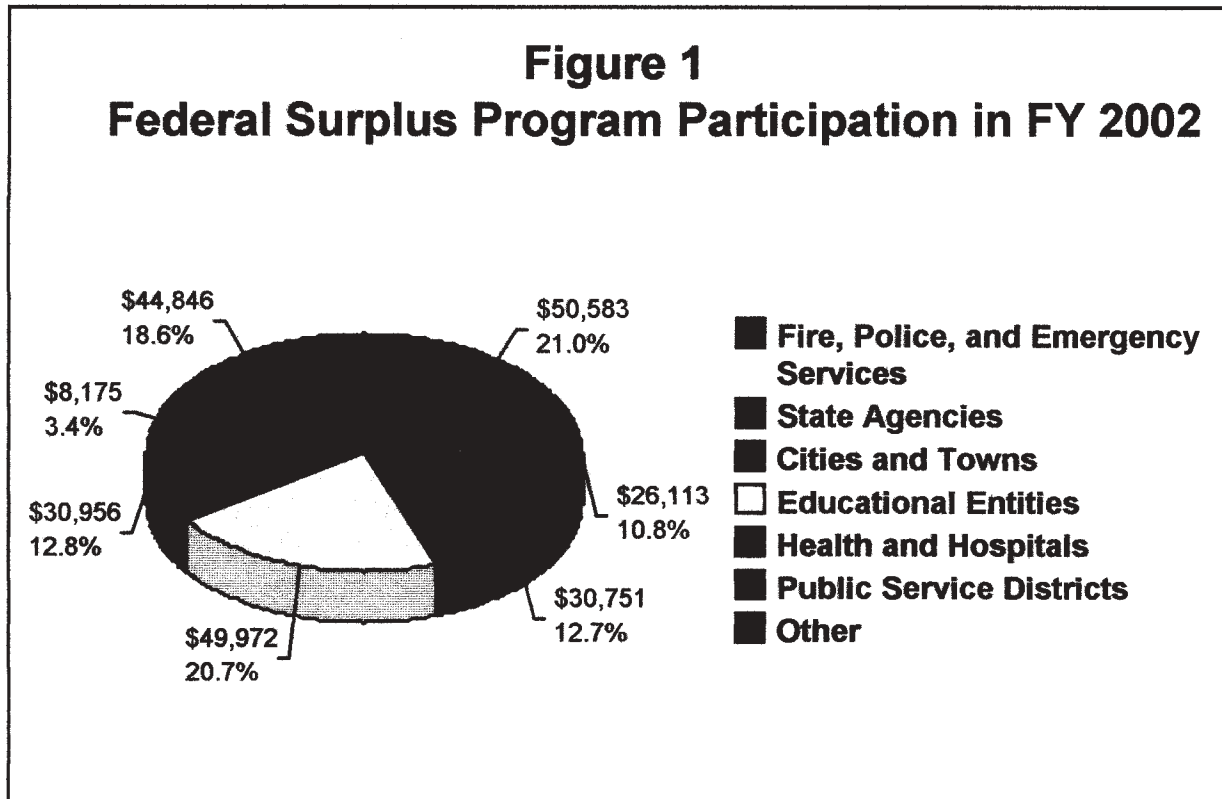
identifying and requesting the appropriate items, transporting and storing the items. The eligible customers are then charged for the property based on the overhead costs Surplus has placed into the product. **In all, federal customers paid seven cents for every dollar spent by the federal government on the original cost of items.** Among the recipients:

- i **Hospitals.** Non-profit hospitals and health programs benefit from discounted prices on very expensive medical equipment. A Logan hospital paid \$7,500 for four operating tables that originally cost the federal government \$120,000.
- i **Education.** Schools often purchase band and orchestra instruments through Surplus. Last year seven schools purchased \$54,000 worth of instruments for \$3,545. For example, a Belle middle school paid \$200 for percussion and brass band instruments that were originally acquired by the federal government at over \$6,000.
- i **Fire, Police and Emergency Services.** A McDowell County volunteer fire department routinely spends much of its budget on surplus items. Last year it spent over \$18,000 for items such as trailers, cargo trucks, tanks, engines, semi-trailers, fork lifts, hand tools, hydraulic fluids and cold weather clothing, originally valued at \$926,513.
- i **Cities and Towns.** The town of Mabscott paid \$7,600 for three cargo trucks that originally cost the federal government \$106,312.
- i **State Agencies.** The Department of Agriculture bought a forklift for \$4,000 that was originally acquired by the federal government for \$21,115.
- i **Public Service Districts.** The Bradley Public Service District purchased power tools, an electrical workbench and motors, originally valued at \$4,636, for only \$137.

Federal customers have an extra benefit in that they can request a specific item, and the Surplus Agency will shop for that item. If the request is in writing, the state of West Virginia is much more likely to be awarded the item from the General Services Administration (GSA) of the Federal Government. This happened in October 2002, when Fairmont State College requested an inoperable Cobra helicopter for its avionics maintenance training program, and the item was immediately awarded to West Virginia. States are not assured of obtaining requested items, despite being the first to request the surplus item, unless a special

need can be demonstrated.

Fire, police and emergency services benefitted the most from the federal program last year. Educational entities were second in expenditures. The following chart details the type of entities purchasing items through the Federal Surplus program and the amount of dollars spent in 2002.



Compared to the federal program, the state surplus program has a larger volume of sales. In FY 2002, individuals paid the State over \$1.5 million for a variety of used items purchased at auction and through sealed bids. The Surplus Agency maintains a warehouse to store unwanted items originally purchased and used by state agencies. Surplus is responsible for determining the method of disposal (i.e. resale or scrap) for unwanted items. State surplus items are offered *first* to federal customers before becoming available to the general public through public auction, and sealed bids for vehicles.

Auctions are usually held in Dunbar, West Virginia, although the agency also holds on-site agency auctions upon request, and an annual auction in the northern or eastern part of the state. State surplus sales have provided a variety of products to the public, including the following: vehicles; farm and road equipment such as milk dispensers, tractors, riding mowers, snow blades, road graders and end loaders; heavy duty power tools such as radial and band saws, lathes, spot welders, belt sanders, jointers, planers, floor scrubbers, grinders, and tire balancers; and miscellaneous items such as air compressors, a boat with trailer, generators, and office furnishings.

Conclusion

The State derives a substantial benefit from the Surplus Agency. Individual customers and state agencies stretch limited budgets through obtaining inexpensive new and used surplus items. For example, in the federal program, customers pay an average of seven cents for every dollar spent by the federal government on the original cost of items. The state public auctions also provide consistent bargains, such as used vehicles and other goods, that assist individuals and small businesses. In addition to the benefits to the public, State Surplus provides a centralized way to oversee state agency property. Without the program, state agencies would be responsible for disposing, storing or maintaining discarded items. This would lead to significant administrative costs in the aggregate. Furthermore, disposing of state property by individual agencies could lead to inconsistent disposal and improprieties.

Recommendation 1

The Legislature should consider continuing the Surplus Agency.

The Surplus Agency Should Increase Customer Participation and Its Use of Management Information.

An underlying weakness with the Surplus Agency is a lack of consumer participation in the surplus program. Approximately 17% of potential customers participate in the federal program. In the state program, a monthly average of 301 customers, out of the 1.8 million citizens of the State, purchase surplus goods. Increased publicity would expand the market base and revenues of the agency. **Also, using the internet as a means to auction items would increase state surplus revenues.**

The Surplus Agency generates its revenues from the sale of surplus items. Currently, no general revenues are needed to maintain the program. However, an evaluation of the revenues and expenditures of the agency over time shows that while expenditures have not increased, revenues have also remained flat. This lack of revenue growth reflects the lack of consumer participation and it could place the agency at risk with a downturn in the economy.

Another weakness for the agency is a lack of management information. For example, a separate detail of expenses for the federal and state program is not regularly prepared. Therefore, the agency is not aware of the financial condition of each program individually. Consequently, Surplus does not know if the amount it receives from federal items is sufficient to cover the cost of the federal program. Also, if such information were available, decisions on whether to incur certain expenses could be made with a better idea of how such expenditures would impact the program.

Participation in the Surplus Program is Low

The primary weakness of the Surplus Agency is the low number of consumers purchasing federal and state surplus. Greater customer participation would result in greater revenues. With federal surplus, customers underutilize the program. The number of governmental and charitable entities actually applying for eligibility, maintaining this status through renewal of applications, and utilizing the program appears to be far fewer than those statewide who could use and benefit from this program. **Over 4,500 entities have the potential for eligibility,¹ but only 800 have obtained approval for the federal surplus program.** This is approximately 17% of possible customers.

¹Over 9,000 charitable organizations are registered with the Secretary of State, but these are not identified by tax status. Similarly, the Tax Department does not identify the organizations by tax status, but estimates that at least 50% are the type of tax-exempt corporation required for federal eligibility.

Evaluation of individual categories demonstrates this underutilization. Of the 446 fire departments in the state, 99 have obtained eligibility certification from the Surplus Agency, but only 38 departments made a purchase through the federal program last year. While 135 municipalities in the state are currently approved for the federal program, only 28 cities and towns made purchases in FY 2002. There are over 170 state agencies and divisions, with 78 currently eligible, but only 20 agencies purchased federal surplus. Of 131 educational entities eligible to purchase federal surplus, only 36 schools, colleges or boards of education participated last year.

Statistics for utilization of the separate state surplus program are not kept in detail by the Surplus Agency. The general public can purchase directly at auction or through sealed bids. There are no qualifications to meet and no restrictions on purchase or future use of state surplus items. A number of auction customers represent repeat business and many are actually small businesses that offer the items for rental or resale. However, based on the 3,600 purchases made through this program in FY 2002 and the 301 customers per month, it is clear that the state surplus program is also underutilized when compared to the 1.8 million citizens in the state.

Shopping Surplus Is Difficult and Time-Consuming

Neither the general public, nor federal customers know what specific items are available for purchase unless they make a trip to Dunbar, West Virginia to directly inspect the surplus items at the warehouses

Another barrier to participation in the surplus program is the cumbersome shopping process that is time-consuming and may be costly for those who need to travel to view items. The general public can only purchase state surplus through auctions and sealed bids. Neither the general public, nor federal customers know what specific items are available for purchase unless they make a trip to Dunbar, West Virginia to directly inspect the surplus items at the warehouses. Customers distant from the location in Dunbar do not have the same benefit as customers who can physically come into the warehouse locations on a regular basis. While Surplus tries to bring auctions to other locations in the state, this is a once-a-year event.

This problem could be alleviated by the greater utilization of the internet to combat the problems of distance in the state and conform with modern marketing and on-line shopping. The Surplus Manager indicated that a purchase of software for on-line bidding was made on the recommendation of Information Services and Communications Division. It was then discovered that the software did not work properly and the software manufacturer would not offer technical support. Since the software does not work and the purchase of new software was considered quite expensive, the Surplus Agency has not moved forward

with this project.

An easier solution might be to contract with an internet service provider for government surplus sales to set up an internet auction for state and federal surplus sales. Outside West Virginia, other cities, counties and states have entered into contracts with one of two commercial application service providers that post and sell surplus property on the internet through web-based auctions. In Tennessee, the recent development of on-line auctions, and web-based information for federal and state customers purchasing surplus has resulted in more money and easier logistics for the agency. The agency has begun sending ibroadcast e-mailsî to its customers to alert them of items for sale. The state of Virginia also lists a number of items on-line for purchase. **Greater use of the internet by West Virginia Surplus could remove many of the present barriers to participation in this program.**

Lack of Publicity Means Fewer Customers And Lower Bid Offers

Many agencies and individuals do not know about the benefits of the Surplus program, and do not know of specific items available

Many agencies and individuals do not know about the benefits of the Surplus program, and do not know of specific items available. Lack of the general public's participation in auctions and sealed bids hampers sales revenues, and lack of knowledge about the federal surplus program hampers participation in this program.

The quarterly newsletter, produced by the Department of Administration, details surplus items and informs consumers about unusual items through feature stories describing recent purchases by federal customers. This newsletter is the most comprehensive of the publicity tools employed by the agency. However, it has not been published since Summer 2001. Other information, such as individual state surplus auction dates, is distributed through the Surplus Agency's website and through regional newspapers. Also, 593 prior customers are notified of upcoming auctions. The General Manager concedes that the lack of advertising of the Surplus program is a weakness. He states that *the program is much larger and more complex than most agencies realize, and would benefit from better publicity.* î

Surplus Revenues Have Not Increased Over Time

The Surplus Agency is not funded in the state budget and is dependent upon the sales of surplus items to maintain itself as a program. Evaluation of the past three years shows that the Surplus Agency averaged \$2 million from surplus sales each year. Table 1 details the revenues received from both the federal and state surplus property programs.

FY	State Surplus						Federal Surplus	Federal and State
	Auctions	Bids*	Negotiated Sales*	Sales Tax	Scrap	Total State	Sales	Totals
1998	\$576,774	\$342,789	\$751,497	(\$9,605)	\$18,890	\$1,662,345	\$369,820	\$2,032,165
1999	623,973	1,389,631	716,294	(7,256)	3,950	2,726,592	288,676	3,015,268
2000	567,345	199,099	783,158	(7,884)	2,343	1,544,061	293,398	1,837,459
2001	688,186	307,155	755,922	(10,300)	40	1,741,003	287,182	2,028,185
2002	401,370	399,260	849,427	(7,266)	137	1,642,928	211,081	1,854,009

* Bids refer to sealed bids accepted for used vehicle sales and statewide items not sold through auction; Negotiated Sales are sales of state or federal surplus to an eligible organization which do not involve a bid process.

All revenue generated from surplus sales goes into two accounts, one designated for state surplus sales and the other designated for federal surplus sales. When needed, money is then transferred from the federal account into the state account. This revenue pays for the operating costs of the Surplus Agency. As can be seen in Table 2 below, the operating costs have not changed significantly over the past three years. There has also been a lack of growth in revenues generated during the same time period.

Table 2			
Surplus Agency Revenues, Expenditures and Cash Balances*			
	FY 2002	FY 2001	FY 2000
Beginning of Year Cash Balance	\$742,248	\$732,760	\$948,814
Revenue	1,854,009	2,028,185	1,837,459
Expenditures	1,855,651	2,018,697	2,053,513
End of Year Cash Balance	740,606	742,248	732,760
* Balances represent the sum of the federal and state surplus property FIMS accounts. Source: 2002 PERD Analysis of FIMS Documents			

Additional Management Information Needed

Under this current system, Surplus does not know the financial condition of the federal or state programs on a stand-alone basis

The Department of Administration prepares financial reports for the Division of Purchasing, which include a section on Surplus. These financial reports break out the federal and state surplus programs into two separate accounting statements. However, the federal surplus financial statements do not detail the expenses related to that program. This is because all expenses are paid out of the state fund, which then receives periodic money transfers from the federal program. Under this current system, Surplus does not know the financial condition of the federal or state programs on a stand-alone basis. Consequently, Surplus does not know if the amount it receives from federal items is sufficient to cover the cost of the federal program. Also, if such information were available, decisions on whether to incur certain expenses could be made with a better idea of how such expenditures would impact the program.

Adding to the problems of analyzing data from the current financial reports is that these financial reports have not been consistently prepared. Administration has been preparing the reports since October 2001, but gaps have appeared in February and March 2002, and again in July, August, and September 2002, when reports were not submitted. Therefore, the Surplus agency cannot rely on receiving financial information because it does not know whether or when a report will be forthcoming.

Gaining an understanding of the financial condition of the individual state and federal programs could assist Surplus in the decision making process. For example, the Surplus manager has recently been trying to decide whether to make a substantial expenditure for publicity, but has been hesitant to move forward due to the costs involved. In the federal program, Surplus assumes certain overhead charges, such as transportation costs, to obtain property. The

property is then priced by federal surplus to pay for those overhead fees. However, without specific financial information on the costs involved, the Surplus Agency must *estimate* the costs incurred.

Sufficient financial information is available for the state and federal surplus programs. The Department of Administration is able to prepare financial statements that allocate costs to the appropriate programs; however, these financial statements are not regularly provided to Surplus.

Conclusion

An underlying weakness with the Surplus Agency is that while federal and state surplus provide significant benefits to consumers, both are underutilized. There is a lack of publicity about the surplus programs. Only 17% of possible federal customers are enrolled in the program, and fewer than 4,000 state surplus customers made purchases last year. Without broad customer support, revenues are limited. Furthermore, the shopping process for both programs is time-consuming and hinders customers who are located at distances from surplus warehouses. Greater use of the internet for auctioning products could remove many of the present barriers to participation in this program.

Revenues for the Surplus Agency have demonstrated a lack of growth. Such revenues, from the sale of federal and state surplus, support the Surplus Agency without general revenue funds. It is necessary for these revenues to remain robust in order to ensure the continued viability of the program and not become a financial burden on the State. Also, a lack of certain management information hampers decision-making and may contribute to undercharging for overhead costs associated with both federal and state surplus sales.

During this period of budget constraints, the Surplus Agency should make use of all available management information, and take all steps financially feasible to maximize its revenues and minimize expenditures through increased customer participation, and informed charges for overhead costs.

Recommendations

2. *The Surplus Agency should explore and implement ways to increase publicity about the federal and state surplus resale programs.*
3. *The Surplus Agency should utilize or develop an internet auction system to sell state and federal surplus items through its web site.*

-
4. *The Surplus Agency needs to request more detailed accounting information from the Department of Administration, and utilize this information in decision-making.*

Appendix A Transmittal Letter

WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0610
(304) 347-4890
(304) 347-4939 FAX



John Sylvia
Director

December 19, 2002

David Tincher, Director
Purchasing Division
2019 Washington Street, East
Charleston, West Virginia 25305-0130

Dear Mr. Tincher:

This is to transmit a draft copy of the Full Performance Evaluation of the Purchasing Division. This report is scheduled to be presented at the Sunday, January 5, 2003 interim meeting of the Joint Committee on Government Operations. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committee may have. If you would like to schedule an exit conference between December 20, 2002 and December 27, 2002 to discuss any concerns you may have with the report, please notify us to schedule an exact time. In addition, we need your written response by noon on December 27, 2002 in order for it to be included in the final report. If your agency intends on distributing additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, January 2, 2003 to make arrangements.

We request that your personnel treat the draft report as confidential and that it not be disclosed to anyone not affiliated with the agency. Thank you for your cooperation.

Sincerely,

Handwritten signature of John Sylvia in cursive script.
John Sylvia

Enclosure

C: Ken Frye, Surplus Manager
Gregory Burton, Cabinet Secretary

JS/wsc

Joint Committee on Government and Finance

Appendix B Agency Response



BOB WISE
GOVERNOR

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON STREET, EAST
P.O. BOX 50130
CHARLESTON, WEST VIRGINIA 25305-0130

GREGORY A. BURTON
CABINET SECRETARY

DAVID TINCHER
DIRECTOR

December 23, 2002

John Sylvia, Director
West Virginia Legislature
Performance Evaluation and Research Division
Building 1, Room W-314
1900 Kanawha Boulevard, East
Charleston, WV 25305-0610

Dear Mr. Sylvia:

Thank you for the recent draft copy of the Full Performance Evaluation of the Purchasing Division. We believe this evaluation accurately reflects the performance of our Surplus Property operation and have no substantial concerns. Accordingly, we do not believe an exit conference to be necessary. In response to the four recommendations we offer the following:

1. *The Legislature should consider continuing the Surplus Agency.*

Response: None required

2. *The Surplus agency should explore and implement ways to increase publicity about federal and state surplus resale program.*

Response: The Surplus Property Quarterly Newsletter will be re-established. We hope to publish the first issue in January or February.

Surplus will establish a mailing list of potentially eligible organizations and mail applications for eligibility and other program information directly to those organizations. This project is currently underway, and Surplus has already established a mailing list containing all fire departments, municipalities, county commissions, and sheriff's departments in West Virginia. We are currently adding a list of all public and non-profit schools. We hope to have this comprehensive mailing list completed and the first mailing sent out by Spring of 2003.

PHONE: (304) 558-2306

E.E.O./AFFIRMATIVE ACTION EMPLOYER

FAX: (304) 558-4115

Additionally, we are considering a proposal submitted to us by Metro-News Networks which would broadcast information about the Surplus Property program on approximately twenty radio stations scattered throughout West Virginia. It is our understanding that other state agencies have utilized this media venue successfully to get the word out regarding a variety of state programs. We will review this type of publicity, funding permitting.

In addition to the above steps, we will continue to update and maintain our web site which contains a wide variety of information about the Surplus Property program and will promote this web site in all mailings or advertisements.

3. *The Surplus Agency should utilize or develop an internet auction system to sell state and federal surplus items through its web site.*

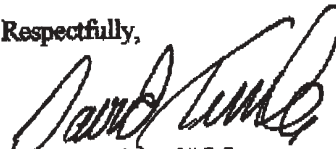
Response: As was indicated in the report, we have taken some tentative steps in this direction. We will more aggressively pursue this option as an alternative to our public auctions as a means of selling surplus property to the public. It is our understanding that some other states have successfully sold surplus through the use of internet auctions, such as the Tennessee and South Carolina Surplus Property Agencies. We will contact the directors of those agencies and determine if their methods of disposing property via the internet will work in West Virginia. Discussions with counsel will be needed to determine whether code changes will be necessary.

4. *The Surplus Agency needs to request more detailed accounting information from the Department of Administration, and utilize this information in decision-making.*

Response: As indicated in the report, the Finance Division of the Department of Administration provides financial services to Surplus Property, including the preparation of financial reports. I have submitted a memorandum to the director of the Finance Division (copy attached) requesting that a meeting be established with the appropriate staff members to discuss the types of financial information that we need and the timely submission of these reports.

As you have requested, the Purchasing Division will be represented at the January 5, 2003 interim meeting of the Joint Committee on Government Operations. Should you have questions, or need additional information prior to that date, please let me or Ken Frye know.

Respectfully,



David Tincher, CPPO
Director

cc: Gregory A. Burton, Cabinet Secretary



BOB WISE
GOVERNOR

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
PURCHASING DIVISION
2019 WASHINGTON STREET, EAST
P.O. BOX 50130
CHARLESTON, WEST VIRGINIA 25305-0130

GREGORY A. BURTON
CABINET SECRETARY
DAVID TINCHER
DIRECTOR

MEMORANDUM

Date: December 23, 2002

To: Andrew Fizer, Director
Finance Division

From: David Tinchler, Director
Purchasing Division

Re: Financial Information

As you will recall, we have had discussions for quite some time about the lack of accurate and timely financial information received by the Purchasing Division. It is my understanding that you are currently reviewing this issue with the intent to assure improvement in this area. I am aware that you have made personnel changes on more than one occasion to help us.

Recently, the Performance Evaluation and Research Division noted our lack of this information in a recent performance audit of Surplus Property and has recommended that we request from you more detailed accounting information.

Please consider this memorandum as that request and let me know when we can meet to discuss this matter.

cc: Ken Frye

