

TUSD's Auction Internal Controls

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Background

- We are currently under Cooperative Contract with City of Tucson to provide online surplus auction services. This contract renews annually on August 8th until it expires on August 7, 2021.
- **P1:** The only forms of payment that TUSD accepts are cashier check and money order. Although, Public Surplus.com has the ability to accept credit cards.
- **P2:** TUSD accepts checks in the amount of \$25 if the buyer needs TUSD personnel to

Abbreviations and Key Definitions

- AM rAsset Management
- Form AM 1002 rProperty Loss/Disposal/Transfer Report Form used to dispose of district assets.
- UA rUniversity of Arizona
- Fund 506 (School Plant) Accounts for monies received from the sale, lease, or condemnation of school property and used as specified in A.R.S. §15-1102.
- **P1** rP10 rAre internal control problems that the internal auditor sees with the auction process.
- **RP1** rRP10 rAre recommendations to address the corresponding internal control problems. (For example: RP1 attempts to correct P1)

What

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TUSD's Auction Process



Continued



AM personnel

Examples of Problems

- **P9:** Computers sold before the hard drive was removed.
- Asset Management
 - 1) Create the pallet of items to be sold
 - 2) Post the items on PublicSurplus.com to be sold
 - 3) Receive the check/money order
 - 4) Give the customer the assets.
- There are no separation of duties.

Examples of Problems

- **P10:** Sometimes items get added to a pallet after the bid process concluded because:
 - TUSDs waiting on the buyer to pick up the pallet and a member of AM did not know that the pallet was sold.
 - The warehouse is not organized in a way to keep new arrivals separate from sold items.
- Many times the buyer takes longer than the 5 Days that they are allowed to pick up items they won in the auction.

Are We Using and Sharing the Items Already Purchased?

- **P11:** Many times sites may purchase items and there may be extras around the district not used.
- **P12:** Currently there is not any advertisement or coordination throughout the district, to share furniture.
- **P13:** An example, 22 HP monitors

How Does TUSDC Compare
to Other Public Institutions
That Conduct Auctions?

The University of Arizona Auction Process and StoreFront cont.

- UA places furniture, IT Equipment, and miscellaneous assets that the school no longer needs into two categories: (1) Public StoreFront (2) Auction Floor.
- Items that the Assistant Director of Procurement & Contracting feels could be sold to the public "As Is" is sold in the StoreFront. The StoreFront can typically get more money for those items than the items could generate through an auction.
- The Assistant Director of Procurement & Contracting stated that StoreFront has been very successful for the University.

The University of Arizona Auction Process and StoreFront cont.

- There is a staging area for all new arrivals for both the StoreFront and Auction.
- All capital assets and computers are tagged upon arrival for accounting purposes.
- After pallets containing hard drives have received a “Lot Number” students go through the pallet to ensure all hard drives were removed.
- Highest concern: safeguarding protected research, student, and staff data. Therefore, all hard drives go through a hard drive swiper. If the hard drive is not usable after being swiped it is sent through a crusher.
- After winning the bid on Tuesday the buyer must pick the item up by Friday.

UAAuctionProcessandStoreFrontCont.

- TheStoreFrontis openMonday– Friday8:00a– 3:30pto the public.
- TheStoreFrontis openone Saturdaya month aswell.
- Theauctionis oncea month.
- Thepotential buyersget to previewthe items the FridayandMonday prior to the auction
- Nearlyeveryitem is soldduringthe auction.If the item isn't soldit is thrown in the trash or in the ScrapMetal Binwhich alsogenerates revenue.

Difficulties Faced by UA

- Cathode Ray Tube (CRT) monitors (monitors with the big back) can't be thrown away because they contain mercury. So, UA's Auction team has an agreement with an individual to dispose of those monitors for a cost of \$5 per monitor.

UAAuction/StoreFront Staff Size

- There are:
 - 3 Office Staff.
 - 1 Store Keeper (Decides the price for goods sold in the store front).
 - 4 Material Handlers (Pickup & unload goods from the university).
 - 2 part time student handlers.
- This is an auxiliary unit and it is self funded. The unit must generate enough money to cover expenses.
- For any item that comes from one department: The UAAuction team keeps the first \$200 and provides the department with a percentage of the revenue that was above \$200.
- StoreFront generates 15-20 sales/day which total about \$800/day.

Recommendations for Auction Process

- **RP1, RP3, RP6 & 8:** Create an opening statement on PublicSurplus.com similar to Amphi Schools stating that TUSD will only accept credit cards. (OR) Assign personnel in Bldg 1010 to accept cashier checks and provide the buyer with a receipt that authorizes AM to release the asset.
- **RP2:** Estimate the revenue generated from the forklift fee and determine if a small price increase can be added to all heavy pallets to eliminate the need for the \$25 fee.
- **RP4 & RP5:** AM should compare what Property Control was asked to pick up vs. what was dropped to the warehouse.
- **RP9:** T S create a unique marker (ie. Green sticker or marking) to affix to the retired asset, so that AM will know that the hard drive was removed, wiped, or crushed.
- **RP10:** Organize the floor into fenced sections: (New assets received, Used assets received, items ready for auction, items sold) to deter the addition or removal of items on auction pallets.
- **RP10:** Tag or shrink wrap each finished pallet.

School Safety Recommendations for TUSD's Auction

- Implement a more stringent "Acceptance of Gratuity" policy for all employees prohibiting acceptance of gratuity under any circumstance.
- Remove district asset markings from all property prior to packing for auction.
- Train staff on expectations and policy.

Limitations of achieving goals

- Asset management currently has one person.
- Space is limited in the warehouse.

Alternatives for DecisionMakers

- StatusQuo– **LeastFavorable**
- Get rid of the auction process (excluding vehicles).
- Create a StoreFront to sell used school furniture to the public. (Similar to UA).
- Continue Using PublicSurplus.com and implement recommendations provided by Internal Auditor to improve operations. (**Internal Auditor's Recommendation**)