Department of
Veterans Affairs

Office of Inspector General

AUDIT OF VA'S EXCESS EQUIPMENT PROGRAM

VA can enhance the financial benefits, controls, and reporting associated with its excess equipment program.

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Office of Inspector General
Washington DC 20420

DEPARTMENT OF VETERANS AFFAIRS
Office of Inspector General
Washington DC 20420

Memorandum to the Deputy Assistant Secretary for Acquisition and Materiel Management (90)

Audit of VA's Excess Equipment Program

1. The purpose of the audit was to assess the efficiency and effectiveness of the Department of Veterans Affairs (VA) disposal of excess and surplus personal property. The audit was completed at the request of management of the Office of Acquisition and Materiel Management. We focused on assessing program operations in the following key areas: (1) accuracy of reporting, (2) adequacy of controls over the receipt and disposition of funds from the sale of VA personal property, and (3) overall level of compliance with policies and procedures.

2. Personal property (equipment, supplies, etc.) controlled by the VA is subject to periodic review to determine if it is excess to needs. Procedures have been published which are intended to promote the maximum use of serviceable property which is identified as excess and to minimize the amount of new procurement. Reporting requirements have also been developed to provide employees and managers with information on the amount of property determined to be excess and its disposition. Once property is identified as excess to the needs of the program to which it was assigned, it is inspected to determine its condition and, if not in serviceable condition, could be sold as scrap, processed as salvage, or abandoned/destroyed. If found to be in serviceable condition and not needed by another service/activity within the facility or for trade-in, it is offered to other VA facilities, other Federal agencies and, ultimately, for donation to local governments and institutions or it is sold.

3. For Fiscal Year (FY) 1995 VA reported to the General Services Administration (GSA) that personal property originally costing $82 million had been determined to be excess to program needs and had been transferred directly to other federal agencies, scrapped, abandoned, destroyed, or sold. VA also reported that personal property originally costing a total of $49 million had been traded-in or sold pending replacement with like items. Proceeds from the sale of this property in FY 1995 by VA totaled less than $6 million with an additional $4.5 million in sales by GSA and $3.4 million in trade-in allowances.

4. The audit found that much of the effort which facilities direct towards their excess equipment programs is focused on clearing away the clutter of worn-out equipment and on documenting these actions to comply with VA and Federal Property Management

Regulations (FPMR) inventory accountability requirements. This focus has resulted in less effort directed toward accurate reporting of program activity to VA Central Office (VACO) or to the maximization of receipts derived from sale of excess property. We concluded that the program can be more effectively managed to enhance its financial benefits, controls, and reporting. Specifically, we found that this can be accomplished by: (1) assuring that facilities take available opportunities to retain revenues from the sale or exchange of unneeded equipment, (2) strengthening controls over the receipt and disposition of funds from the sale of personal property, and (3) establishing a more accurate reporting system that reflects the results of property disposal activities.

5. Our audit found that VA facilities need to take advantage of available opportunities to retain the majority of revenue received from the sale or exchange of unneeded equipment which could increase funds available to support their program operations. We concluded, and program management agreed, that the proceeds from the sale of surplus and unneeded personal property should be retained by VA with the exception of the sale of serviceable equipment which is not being replaced with equipment of a similar kind, and which was not purchased through the VA Supply Fund or through a contract administered by the VA National Acquisition Center (NAC). Our audit found that during FY 1995 approximately $5 million was transferred to the U.S. Treasury from VA property sales that should have been retained by the Department.

6. We also found that a lack of effective control over the receipt and disposition of proceeds from the sale of surplus and sale/exchange property has resulted in the inconsistent handling of proceeds by VA facilities. We identified a total of six different accounts in which funds were deposited according to local interpretations of what was appropriate. Although a majority of facilities routinely used a Treasury miscellaneous receipts account, others used VA accounts including those established for medical care, supply activities, and recycling. This, combined with an accounting/reporting system, which we found does not provide information on the expected proceeds from the sale (or fair market value) of surplus property, prevents an effective means to ensure that all receipts are accounted for or that the ultimate disposition of the funds is appropriate.

7. Although we determined that the two primary excess equipment program reports: (1) *Utilization and Disposal of Excess and Surplus Property,* and (2) *Property Disposed of Pursuant to Exchange/Sale Authority* were not accurate, we could not find where these reports were used to support procurement, resource allocation, or other significant decisions by VA or GSA managers. As a result, we concluded that they should be replaced with a single report that could provide program management with useful

information on property disposal activities. We believe the new reporting system should: (1) be compiled with a minimum of manual intervention, (2) address the value of property being excessed/scrapped/exchanged rather than original acquisition cost, (3) relate proceeds to the value of the property which was disposed, and (4) specify the disposition of all proceeds.

8. The implementation of the recommendations contained in this report will result in more effective management of VA's excess equipment program with increased resources becoming available to VA facilities to support program operations. Although we estimate the current level of these resources to be approximately $5 million annually, we believe this could increase substantially when facilities become fully aware of the opportunities available for retaining the receipts from property sales that are discussed in this report. The Deputy Assistant Secretary for Acquisition and Materiel Management indicated agreement with the report recommendations and provided appropriate implementation actions. The Deputy Assistant Secretary also agreed with the dollar impact figure discussed in the report. We consider the report resolved and will follow up on planned actions until they are completed.

For the Assistant Inspector General for Auditing

[Signed]
Mr. Stephen L. Gaskell
Director, Central Office Operations Division

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RESULTS AND RECOMMENDATIONS

1. Opportunities Are Available For VA to Retain the Majority of Revenues Received From the Sale or Exchange of Unneeded Equipment

Our audit found that VA facilities should take advantage of available opportunities to retain the majority of revenue received from the sale or exchange of unneeded equipment which could increase funds available to support their program operations. With few exceptions, VA facilities return to the U.S. Treasury the revenues they generate from the sale of excess equipment. This occurs because facilities do not have a clear understanding of how sale proceeds may be retained by the Department. Since there is a general belief that revenue from property sales should be returned to the U.S. Treasury, facilities have had little incentive to try to maximize revenues from these sale activities because they would not directly benefit the Department's mission accomplishment. We found that the primary focus of property disposal efforts were on ridding the facility of clutter, rather than maximizing proceeds from sales which would require additional efforts to advertise, locate, and negotiate with potential buyers.

Based on our discussions with program management and the Federal Property Management Regulations (FPMR), Public Law, VA policy, and VA General Counsel (GC) opinions, VA may properly retain proceeds from the sale of the majority of equipment and other personal property whether it is found to be excess, surplus, unneeded, or worn-out. The only time VA should deposit proceeds to Treasury are if the property: (1) was not sold as scrap/salvage, (2) was not purchased through the Supply Fund, (3) was not purchased through a national contract negotiated by the VA National Acquisition Center, (4) has not already been replaced with equipment within the same supply category, or (5) will not be replaced with equipment within the same supply category before the end of the following Fiscal Year (FY).

Appropriate retention of sale proceeds could provide facilities with additional funds that could be used to help support program operations. In FY 1995, facility direct sales of excess, unneeded, and worn-out equipment generated approximately $5 million in revenue which could have been retained by VA, but instead was deposited to non-VA miscellaneous receipts accounts with the U.S. Treasury.

VA Has Authority to Retain the Majority of Proceeds From Sale of Property

VA has the authority to retain the majority of proceeds from the sale of equipment and other personal property whether it is found to be excess, surplus, unneeded, or worn-out. However, our audit found that facilities are not taking advantage of this authority because they do not have a clear understanding of how sale proceeds can be retained. As a result, they do not keep revenues that they could retain from property sales but instead return the funds to the U.S. Treasury. (*Details of the results of our survey questionnaire concerning disposition of funds is in Appendix IV on page 33.*)

As discussed in the following narrative, our audit found that VA can retain the proceeds from the sale or exchange of unneeded property involving the following types of disposition methods covered by FPMR, Public Law, and VA policy: (1) sale/exchange, (2) recycling, (3) scrap/salvage, and (4) sale of serviceable equipment not being replaced.

<u>Sale/Exchange</u>: The FPMR distinguishes between the sale of excess/surplus/unneeded personal property and the sale of property which is to be, or has been, replaced. Proceeds from the sale of property under this authority can be credited to VA and used to support VA activities. The property being replaced must be within the same Federal Supply Classification Group as the replacement property. Our audit found that VA facilities believe that sale/exchange authority is specific to each facility; however, it is applicable to the Department as a whole. Therefore, if any facility excesses equipment of the same category which another facility has, is, or will be buying, the authority to retain/apply the proceeds from the sale exists.

<u>Recycling</u>: Public Law 103-329 authorizes VA to receive and use funds resulting from the sale of materials recovered through recycling or waste prevention programs. These funds are available for obligation until expended (e.g., no-year funds). The authority for this program is new and has not been fully recognized and implemented by facilities.

<u>Scrap/Salvage</u>: Salvage is defined by the FPMR as property having greater value than its basic material content but has no reasonable prospect of use. Scrap is defined as property which has no value except for its basic material content. For purposes of sale/disposal, the terms are, in practice, used as a single combined term. Although VA facilities have historically treated proceeds from the sale of scrap/salvage no differently than proceeds from the sale of working equipment, our review of the statute authorizing retention of recycling revenue (P.L. 103-329), the implementing Executive Order (E.O. 12873) and initial VA guidance (Office of Financial Policy Bulletin 95GA1-1) leads us to conclude that scrap/salvage revenue should be considered part of the recycling and waste management program and thus retained by facilities.

<u>Sale of Serviceable Equipment Not Being Replaced</u>: In July 1993, the GC published an advisory opinion regarding the deposit of receipts from the sale of VA personal property into the Supply Fund. The opinion was prompted by an April 1993, letter from the Deputy Assistant Secretary for Acquisition and Materiel Management putting forth that office’s contention that funds from the sale of VA personal property should be deposited to VA’s Supply Fund. The GC concluded that proceeds from the sale of excess or surplus property purchased from Supply Fund sources including contracts administered by the VA’s NAC were properly creditable to the Supply Fund. Following the GC advisory opinion, in September 1993, VA’s Director, Materiel Management Service proposed to GSA that VA deposit proceeds from the sale of VA’s excess property into the Supply Fund. GSA responded in November 1993, and January 1994, that it would defer to VA to make a decision on the proper disposition of proceeds from sale and that GSA had notified its regional offices that VA had determined that it would retain the proceeds from the sale of excess/unneeded medical equipment purchased through the Supply Fund. VA needs to assure that appropriate guidance is provided to facilities that highlight these property disposition methods which can generate revenue that can be retained by the Department.

Retention of Revenue From Property Sales Would Provide Added Financial Support to Facility Program Operations

Appropriate retention of proceeds from property sales would provide facilities with additional funds that could be used to help support program operations. In FY 1995, facility direct sales of excess, unneeded, and worn-out equipment generated approximately $5 million in revenue which should have been retained by VA, but instead were deposited to non-VA miscellaneous receipts accounts with the U.S. Treasury. We believe that once facilities realize that the majority of these proceeds may be retained, they will have an incentive to maximize revenues from these sales activities which would increase revenues to the Department and help support program operations.

Conclusion

Proceeds from the sale or exchange of unneeded equipment should, with few exceptions, be retained by the Department. VA facilities need to be provided with appropriate guidance on how to effectively handle property dispositions that will assure that revenues from these actions are retained by the Department to the maximum extent possible.

Recommendation 1

We recommend that the Deputy Assistant Secretary for Acquisition and Materiel Management take action to ensure that guidance is provided to facilities so that proceeds from the sale or exchange of unneeded equipment are retained for use by the Department to the maximum extent possible.

Deputy Assistant Secretary for Acquisition and Materiel Management Comments

We agree with Recommendation 1 that the revenue from property sales should be retained by VA as a budget enhancement and that approximately $5.0 million dollars was generated in FY 1995, the majority of which was returned to the Treasury Department.

In order to furnish facilities procedures and instructions for processing revenues into VA accounts, a request was forwarded to the Deputy Assistant Secretary for Financial Policy (047G) in July 1996. The procedures have now been developed and are being reviewed by Central Office program officials, as well as selected VA medical centers. When the procedures have been finalized, they will be publicized nationwide.

(See Appendix VI on pages 37-39 for the full text of the Deputy Assistant Secretary's comments.)

Office of Inspector General Comments

The Deputy Assistant Secretary's comments and implementation actions are acceptable and responsive to the recommendation. We consider the issue resolved and will follow up on planned actions until they are completed.

2. Controls Over the Receipt and Disposition of Funds From the Sale of Personal Property Need Strengthening

VA's current accounting/reporting system does not require facilities to estimate the fair market value of property that is to be sold. Although VA has issued financial policies regarding the capitalization of property and how to derive the "book value" of such property, it does not require facilities to estimate the expected receipts from property that is to be sold. Absent this information, there is no effective way to measure the appropriateness of the sales price or even whether all of the sales proceeds were deposited to the proper VA or Treasury accounts. Further, subsequent to receipt of whatever proceeds are derived from these sales, the proceeds themselves are not handled consistently among VA facilities. Although proceeds are most frequently deposited to a Treasury account for miscellaneous receipts, several other accounts and funds are used depending on local interpretations of VA policies and traditional practices which have evolved at each facility.

VA's Accounting/Reporting System For Surplus Property That is to be Sold Does Not Provide Information on Expected Proceeds

In July 1996, VA's excess equipment program management requested the financial policy staff to provide a "step by step description of the fiscal transactions field activities should follow when processing the proceeds from the sale of excess and exchange/sale property." The request was prompted "as a result of numerous inquiries from field activities." In response, a financial bulletin was issued on "VA Capitalization Policy" which addresses accounting policy for VA property, plant, and equipment.

Our review of the financial policy described within the bulletin showed that it focused on the proper classification of all property as either "real or personal" and requires that all property with an acquisition cost of $5,000 or more, or an expected useful life of 2 years or more, be recorded in facility accounting records so that depreciation expenses can be accumulated. Our review also showed that the only requirement that "fair market value" be determined is for recording assets which are acquired as the result of trade-in or exchanges. Our review of excess equipment records for the facilities included in the audit confirmed that no estimate of fair market value is made for property which is sold. We believe that this information would be helpful to the Department in measuring the appropriateness of the actual sales price and whether all sales proceeds were credited to the proper accounts.

Disposition of Proceeds Generated From the Sale of VA Property is Not Consistent and Does Not Allow Total Proceeds to be Identified

Our review found that the proceeds from the sale of surplus and sale/exchange property conducted by VA were deposited directly into one of six accounts: (1) General Fund Receipts/Treasury (36 3220), (2) Proceeds of Sale, Personal Property (36X3845), (3) Budget Clearing Account (36F3875), (4) Recycling Revenue (36X0160X2), (5) Supply Fund (36F4537), and (6) Medical Care (36_0160). The majority of facilities we surveyed (66 percent) primarily use the General Fund Receipts/Treasury account. However, the other facilities (34 percent) primarily use either the Medical Care, the Supply Fund, or the Recycling Program accounts. (*Details of the results of our survey questionnaire concerning disposition of funds is in Appendix IV on page 33*.)

Deposits of proceeds from the sale of surplus or sale/exchange property are made to each of these accounts according to local interpretations of account descriptions by each facility. Our review found that these local interpretations vary considerably, resulting in the inability of VA to identify total proceeds from the sale of surplus property. This is compounded by the use of these accounts for other receipts, revenues, etc., making the verification of total sales as reported in recurring excess equipment program reports not feasible.

Conclusion

The inconsistent handling of property sale proceeds by VA facilities, combined with an accounting/reporting system which does not provide information on the expected sale proceeds prevents an effective means to ensure that all receipts are accounted for or that the ultimate disposition of the funds is appropriate.

Recommendation 2

We recommend that the Deputy Assistant Secretary for Acquisition and Materiel Management take action to assure that controls are strengthened over the receipt and disposition of funds from the sale of VA personal property by:

a. Ensuring that sale proceeds are handled in a consistent manner.

b. Requiring facility property managers to estimate the “fair market value” of excess equipment that is to be sold or exchanged.

Deputy Assistant Secretary for Acquisition and Materiel Management Comments

The procedures for the processing of revenues have been developed and are being reviewed prior to release to the field. As part of the instructions, a revenue source code has been established for tracking proceeds. This should satisfy the requirements as outlined in Recommendation 2, paragraph a. The Deputy Assistant Secretary also agreed that facility property managers will be required to establish the “fair market value” of excess property that is to be sold or exchanged as outlined in Recommendation 2, paragraph b.

(See Appendix VI on pages 37-39 for the full text of the Deputy Assistant Secretary’s comments.)

Office of Inspector General Comments

The Deputy Assistant Secretary's comments and implementation actions are acceptable and responsive to the recommendations. We consider the issues resolved and will follow up on planned actions until they are completed.

3. The Department Needs More Accurate Reporting of the Results of its Property Disposal Activities

VA's reporting mechanism for property disposal activities is the *Utilization and Disposal of Excess and Surplus Property* report and the companion report of *Property Disposed of Pursuant to Exchange/Sale Authority*. Both of these reports are compiled and published annually and submitted to GSA. For FY 1995, VA reported to GSA that personal property originally costing $82 million had been determined to be excess to program needs and had been transferred directly to other federal agencies, scrapped, abandoned, destroyed, or sold. VA also reported that personal property originally costing a total of $49 million had been traded-in or sold pending replacement with like items. (*Details on FY 1995 excess equipment statistics by facility is in Appendix III on pages 19-29.*)

Our examination of the supporting records at VACO for these reports disclosed that both were essentially estimates and could not be verified. Although both are initially compiled from data reported by facilities, they are then adjusted to eliminate apparent errors and mistakes which are identified by program managers in VACO. These adjustments are based on judgment and at best are supported by a notation of a phone conversation with staff at the facility, but are frequently undocumented. The reasonableness of the data reported to GSA was examined during our visits to field facilities and our survey questionnaire to 37 additional facilities. We found that the data for none of the facilities were reported completely accurately. (*Details of the results of our survey questionnaire is in Appendix IV on pages 31-34.*)

We believe that the inaccuracy of the reports is the result of the data being reported having little meaning or usefulness. Local and national program staff were unable to provide a clear reason as to the benefits of the data, other than meeting a reporting requirement of GSA. When we approached GSA as to their need for and uses for this data, we were told they did not use it. To the contrary, GSA compiles its own data (acquired directly from forms submitted by VA facilities to GSA regional offices through the year) for use in its annual report to Congress which bears little resemblance to VA supplied data. For example, GSA's FY 1994 report to Congress showed that VA had excessed $23.8 million in personal property while VA's own annual report showed a total of $110 million was excessed (GSA's FY 1995 report was unavailable at the time of our audit).

Examples of Significant Inaccuracies and Disparities in Current VA Excess Property Reports

None of the VA facilities which we visited or included in our survey confirmed the excess/surplus property information which was reported in VA's annual report to GSA. The table on the following page presents a sampling of the extent of differences we identified between facility data and that reported to GSA in VA's consolidated annual report.

Facility	Acquisition Costs of Excessed Property Per Audit Survey	Acquisition Costs of Excessed Property Per VA Annual Report to GSA	Difference	Proceeds Per Audit Survey	Proceeds Per Annual Report to GSA	Difference
Amarillo	$409,583	$1,770,630	($1,361,047)	$806	$4,143	($3,337)
Atlanta	$2,606,696	$585,875	$2,020,821	$19,063	$0	$19,063
Bay Pines	$79,564	$916,471	($836,907)	$6,503	$51,353	($44,850)
Birmingham	$1,614,401	$ 2,644,230	($1,029,829)	$6,271	$4,107	$2,164
Hines	$593,860	$6,053,055	($5,459,195)	$3,137	$25,767	($22,630)
Indianapolis	$2,594,222	$643,015	$1,951,207	$39,276	$10,889	$28,387
Little Rock	$5,968,790	$2,905,062	$3,063,728	$20,550	$17,364	$3,186
Richmond	$1,068,226	$433,468	$634,759	$10,569	$40,319	($29,750)

Although the above examples show large discrepancies between the data reported in VA's FY 1995 annual report to GSA and the data for the same period which was reported to us directly by facilities, we were unable to identify any negative consequence because this data was not being used. However, with improved accuracy of reporting we believe that this data could provide useful information on property disposal activities that could be used for enhanced management oversight and reporting. (*Details of reporting discrepancies for all facilities surveyed is in Appendix IV on page 32.*)

New Reporting System Could Provide Useful Management Information

VACO program managers recognize that a new reporting system is needed for the VA excess/surplus equipment program. Action is being taken to develop a new system which is intended to improve the accuracy of overall reporting. Our review of an outline of the proposed new reporting system showed it to be comprehensive, but we believe that some enhancements could be made to strengthen controls over the receipt and distribution of proceeds resulting from sales and sales/exchanges of personal property. These enhancements include: (1) reducing manual intervention to a minimum, (2) including the estimated market value of property being excessed/scrapped/exchanged in addition to or even in lieu of the original acquisition cost, (3) relating proceeds to the value of the property which was disposed, and (4) specifying the disposition of all proceeds.

Conclusion

The current reporting system for VA's excess equipment program is inaccurate and cumbersome and should be replaced with a single report that could provide program management with more useful and accurate information on property disposal activities.

Recommendation 3

We recommend that the Deputy Assistant Secretary for Acquisition and Materiel Management take action to include the enhancements we identified in the new reporting system.

Deputy Assistant Secretary for Acquisition and Materiel Management Comments

At the time of this audit, the requirement for submission of annual reports to GSA for excess and exchange/sale activity was still valid. However, we have received an interim notice prior to a formal FPMR amendment from GSA eliminating the requirement effective for FY 96. A revised VA reporting system will address the issues highlighted in the report. Specifically, (1) manual intervention will be reduced to a minimum, (2) estimates of fair market value of property to be disposed will be recorded in addition to the original acquisition cost, and (3) the inclusion of a revenue source code will allow for the tracking of proceeds.

(See Appendix VI on pages 37-39 for the full text of the Deputy Assistant Secretary's comments.)

Office of Inspector General Comments

The Deputy Assistant Secretary's comments and implementation actions are acceptable and responsive to the recommendation. We consider the issue resolved and will follow up on planned actions until they are completed.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The audit was conducted to evaluate the effectiveness and efficiency of the Department's disposal of excess and surplus personal property[1]. Specific emphasis was placed on: (1) the adequacy of controls over the receipt and disposition of funds from the sale of property, (2) the accuracy of reporting, and (3) compliance with policies and procedures governing the disposal of property. The review was requested by the Office of Acquisition and Materiel Management.

Scope and Methodology

To accomplish the audit objectives, we interviewed program officials at the national and local levels to obtain their views and acquire an overall understanding of the policies and procedures affecting the disposal of excess and surplus VA equipment. We obtained and reviewed written publications and directives issued by VA and GSA to identify appropriate audit tests and questions which would need to be addressed. Two facility sites (Miami and Cincinnati) were selected to be visited based on a review of FY 1995 reports showing that the level of excess equipment activity at each were sufficient to provide us with a reasonably fair basis to form initial conclusions. Following these two visits, we developed a detailed survey questionnaire which we sent to 37 VA facilities representing a broad cross section of excess equipment activity. The audit was performed in accordance with generally accepted government auditing standards.

[1] The term *excess (and) surplus personal property* as defined in FPMR 101-43.001 refers to any property (except real property, records of the Federal government, and certain naval vessels) which is under the control of a Federal agency but is not required for its needs (i.e., excess) or is not required for the needs of any Federal agency (i.e., surplus).

BACKGROUND

Federal Property Management Regulations (FPMR 101-43) prescribe the policies governing the utilization and disposal of excess personal property (including equipment) which is under the control of the VA. VA implements these policies in the form of its own directives and guidelines. Included within these policies are the definitions of the terms used throughout the process. For our audit, the most important of these terms include: (1) personal property, (2) excess personal property, (3) salvage, (4) scrap, and (5) surplus personal property. Following are brief definitions of each of these terms:

> (1) Personal Property - any property, except real property, records of the Federal government, and naval vessels of the following categories: battleships, cruisers, aircraft carriers, destroyers and submarines.
>
> (2) Excess Personal Property - any personal property under the control of any Federal agency which is not required for its needs and the discharge of its responsibilities, as determined by the head thereof.
>
> (3) Salvage - personal property having value greater than its basic material content but which is in such condition that is has no reasonable prospect of use for any purpose as a unit (either by the holding or other Federal agency), and its repair or rehabilitation for use as a unit is clearly impracticable. Repairs or rehabilitation estimated to cost in excess of 65 percent of acquisition cost would be considered "clearly impracticable" for purposes of this definition.
>
> (4) Scrap - personal property that has no value except for its basic material content.
>
> (5) Surplus Personal Property - any excess personal property not required for the needs and the discharge of the responsibilities of all Federal agencies, as determined by the Administrator of General Services.

The primary objective of FPMR policies governing the utilization of excess personal property is to ensure, to the extent practicable, that such property is considered the first source of supply. Each VA facility is responsible for making excess personal property available to other VA facilities and other Federal agencies. Internal controls are required to ensure an adequate system of property accountability, and reporting requirements are intended to inform potential users of excess property of its availability.

Identification of Excess Personal Property

VA directives require an annual "housecleaning" to identify items which may be excess to program requirements. In practice, most VA facilities conduct an ongoing "housecleaning" wherein each employee is responsible for identifying unused or unneeded equipment and supplies within his/her work area. Particularly in medical centers, where space is at a premium and unused equipment can quickly become "clutter" and a potential risk to accreditation by the Joint Commission on the Accreditation of Healthcare Organizations, unused equipment is routinely reported to the supply activity (Materiel Management Service) via a standardized, multipurpose VA form (*Request, Turn-in, and Receipt for Property or Services*). Usually, the employee responsible for submitting the form is the service chief or other designated official in whose custody the equipment was originally entrusted.

<u>Inspection and Classification of Excess Personal Property</u>

When the *Turn-In* form is received in Materiel Management Service, the property is inspected to determine its condition and classified into one of three categories: (1) scrap/salvage, (2) exchange/sale, or (3) excess. Although Materiel Management Service is to ensure that all required information is entered on the form including acquisition date and cost, controls numbers, etc., frequently the equipment being excessed is so old that this information is not readily available.

Processing Scrap/Salvage

Over half of the equipment/property which is excessed by VA is scrap and/or of salvage value only. When this determination is made, the most economical method of disposing of the property is used. Frequently, this involves the use of "small lot sales" where like/similar items are stored until a sufficient quantity is acquired to entice a scrap/salvage dealer to purchase the property and remove them from the facility.

Exchange/Sale

When equipment is "Turned-In" as a result of its being replaced by similar equipment, the turn-in process involves an effort by Materiel Management Service to obtain a trade-in allowance or the sale of the equipment.

Excess Equipment Usable by Other VA Activities/Programs

On receipt of the paperwork, inspection of the property, and coding appropriate input into the accounting records, Materiel Management Service is responsible for determining if the equipment can be used by another activity/service within the facility. If not required by another service within the facility, efforts are made to determine if another VA facility can make use of it. This is done both through informal contacts (e.g., word of mouth) or via VA's electronic messaging system known as FORUM.

Excess Equipment Usable by Other Federal Agencies

If otherwise serviceable excess equipment is not used by another VA facility, it is offered to other Federal agencies via reporting to GSA via an SF-120 (Report of Excess Personal Property) or an electronic format (REPADE). When the excess equipment is not used by another Federal agency, it is re-classified as <u>*surplus*</u> property and made available for donation to non-federal/non profit organizations or is offered for sale.

Disposal of Surplus Personal Property

Surplus personal property is by definition excess property that is not required for use by any Federal agency. Once classified as surplus it is available for donation to non-profit/non-federal entities (e.g., states, schools, charities, etc.,) or, alternately, for sale to a successful private bidder.

Exceptions

While the great majority of VA excess equipment is processed under the above procedures, certain equipment, because of its nature or specific legislation/regulatory requirements are handled somewhat differently. For example, hazardous materials, weapons, and vehicles each have specific excessing procedures which apply to them. In addition, some activities such as precious metal recovery are treated somewhat differently.

Conduct of Sales

The Secretary of Veterans Affairs has delegated to the heads of VA contracting activities the authority to determine whether VA or GSA will sell agency owned property. VA policy is for VA to conduct the sale when it is in the best interest of VA. Thresholds have been established to determine when a specific "reviewing authority" must approve a sale for competitive and negotiated bid sales.

In practice, each VA facility has a Materiel Management Service employee who is responsible for organizing, advertising, and conducting sales including the method to be used. In most instances, this involves the use of small lot sales where, periodically, similar items are grouped (used TVs, used medical equipment, communications, pagers, furniture, etc.) and offered to local scrap/salvage dealers via an advertised competitive bidding process. When determined locally that attempting to sell excess property would not be in VA's best interest (e.g. difficulty in locating a potential buyer), GSA is contacted and requested to conduct the sale.

Receipt and Disposition of Proceeds

Proceeds from the sale of excess/unneeded VA personal property result from the following circumstances: (1) sale/trade-in/exchange, (2) recycling, (3) scrap/salvage, and (4) sale of serviceable equipment which is not being replaced. In addition to the proceeds from each of these methods being treated differently, the disposition also is affected by the means/method of original acquisition and who conducts the sale.

Sale/Exchange

The FPMR distinguishes between the sale of excess/surplus/unneeded personal property and the sale of property which is to be, or has been, replaced. Proceeds from the sale of property replaced under this authority can be credited to VA and used to support VA activities. The property being replaced must be within the same Federal Supply Classification Group as the replacement property (e.g., Group 65 is all medical, dental, and veterinary equipment and supplies, Group 66 is Laboratory equipment, and Group 74 is office machines).

Recycling

Public Law 103-329 authorizes VA to receive and use funds resulting from the sale of materials recovered through recycling or waste prevention programs. These funds are available for obligation until expended (e.g., no-year funds). The authority for this program is new and is currently being recognized and implemented by facilities.

Scrap/Salvage

Salvage is defined by the FPMR as property having greater value than its basic material content but has no reasonable prospect of use. Scrap is defined as property which has no value except for its basic material content. For purposes of sale/disposal, the terms are, in practice, used as a single combined term. Proceeds from the sale of scrap/salvage are treated the same as proceeds from the sale of serviceable equipment (i.e., usually deposited to Treasury's miscellaneous receipts account). Although VA facilities have historically treated proceeds from the sale of scrap/salvage no differently than proceeds from the sale of working equipment, our review of the statute authorizing retention of recycling revenue (P.L. 103-329), the implementing Executive Order (E.O. 12873) and initial VA guidance (Office of Financial Policy Bulletin 95GA1-1) leads us to conclude that scrap/salvage revenue should be considered part of the recycling and waste management program and thus retained by facilities.

Sale of Serviceable Equipment Not Being Replaced

In July 1993, the VA General Counsel (GC) published an advisory opinion regarding the deposit of receipts from the sale of VA personal property into the Supply Fund. The opinion was prompted by an April 1993 letter from the Deputy Assistant Secretary for Acquisition and Materiel Management putting forth that office's contention that funds from the sale of VA personal property should be deposited to VA's Supply Fund. The GC concluded that proceeds from the sale of excess or surplus property purchased from non-Supply Fund sources were not properly creditable to the Supply Fund. In September 1993, VA's Director, Materiel Management Service proposed to GSA that VA deposit proceeds from the sale of VA's excess property into the Supply Fund. GSA responded in November 1993, and January 1994 that it would defer to VA to make a decision on the proper disposition of proceeds from sale and that GSA had notified its regional offices that VA had determined that it would retain the proceeds from sale of excess/unneeded medical equipment purchased through the Supply Fund.

<u>FISCAL YEAR 1995 EXCESS EQUIPMENT STATISTICS - BY FACILITY</u>

The primary sources of statistics describing VA's excess equipment activities are two annual reports compiled by the Office of the Associate Deputy Assistant Secretary for Program Management and Operations and submitted to GSA's Property Management Division. The *Report of Utilization and Disposal of Excess and Surplus Property* and the *Report of Property Disposed of Pursuant to Exchange/Sale Authority* are prescribed by FPMR 101-43.47 and 101-46.305 respectively. Data for the reports are input to the VA's LOG system by facilities as transactions occur (sales, exchanges, transfers, etc.) where they are stored until a consolidated report is generated.

When the data is reviewed to compile the annual reports, obvious errors and omissions are identified by the Excess Equipment Program Office staff (i.e., Special Assistant for Excess Property) and corrected. Although facilities are usually contacted to verify the questioned data, documentation of these contacts is not always completed, and even when documented, it is frequently in the form of a notation of a telephone call. As a result, our success at verifying the data in the annual reports was limited. For example, the supporting documentation, which is maintained within the program office, did not precisely reconcile with the totals shown in the two reports (see below). In addition, our on-site audit work at two facilities and the responses of the 37 facilities included in our survey questionnaire also disclosed discrepancies in the data contained in the annual reports. Nevertheless, these data are the only that exist and, as such provide the only facility specific overview of program activity. We have therefore included these data for information purposes and to show the variations in program activity levels (including property sales and exchanges) which exist among facilities. (*Details on Fiscal Year 1995 excess and surplus property transactions reported to GSA is on pages 20 - 24, and details on Fiscal Year 1995 excess property transactions under FPMR sale/exchange authority is on pages 25 - 29*.)

Fiscal Year 1995 Excess and Surplus Property Transactions Reported To GSA

Station Number	Facility Name	Total Excess Reported	Transferred To other Federal Agencies	Scrapped	Abandoned Destroyed	Sold by VA	Proceeds from Non Scrap Sales	Proceeds from Scrap Sales
307	Buffalo	$409,339	$0	$243,145	$0	$77,679	$4,204	$0
309	Newark	$43,180	$0	$43,180	$0	$0	$0	$0
311	Pittsburgh	$13,301		$13,301				
316	Atlanta	$17,616	$0	$17,616				
317	St Petersburg	$162,288		$162,288				
319	Columbia	$181,216	$27,828					
322	Montgomery	$205,000		$16,516				$65
323	Jackson	$0				$26,392	$76	
325	Cleveland	$0						
327	Louisville	$90,609				$162,962	$64,088	
331	St. Louis	$0				$159,691	$1,230	
333	Des Moines	$22,734		$19,874		$39,570	$175	$100
344	Los Angeles	$22,335		$22,335				
346	Seattle	$91,196	$43,895	$35,316				
349	Waco	$82,245						
377	San Diego	$0				$98,265	$195	
402	Togus	$161,406		$41,038				$800
405	White River	$237,897		$62,630		$240,275	$815	$861
436	Fort Harrison	$379,151	$133,241	$38,824				$101
437	Fargo	$301,069	$167,051	$61,197		$321,055	$2,649	$137
438	Sioux Falls	$332,100		$195,947		$15,156		$2,227
442	Cheyenne	$0						
452	Wichita	$289,006	$1,269	$249,657			$700	$750
460	Wilmington	$3,214	$2,802	$239	$13			
500	Albany	$130,276	$21,625	$21,910	$5,000	$501,458	$12,630	$2,729
502	Alexandria	$1,286,864	$39,475			$973,756	$2,610	
503	Altoona	$34,870		$8,163		$22,275	$248	$54
504	Amarillo	$1,770,630		$1,319	$15	$11,550	$3,274	$869
508	Atlanta	$585,875		$153,269				
509	Augusta	$512,341		$507,434	$1,500	$310,110	$1,062	$1,043
512	Baltimore	$493,172		$145,234				
513	Batavia	$0				$109,484	$1,201	
514	Bath	$62,183		$62,183		$53,703	$1,217	
515	Battle Creek	$2,102,806		$1,172,178		$69,756	$59	$2,198
516	Bay Pines	$916,471		$642,738		$820,052	$48,716	$2,637
517	Beckley	$298,016	$12,648	$263,827				
518	Bedford	$118,217		$118,217				$521
519	Big Spring	$149,972		$138,972		$91,736	$75	$800
520	Biloxi	$514,562	$28,124	$44,667			$1,020	$106
521	Birmingham	$2,644,230				$353,069		$4,107
522	Bonham	$198,398		$84,655				$2,849

Fiscal Year 1995 Excess and Surplus Property Transactions Reported To GSA

Station Number	Facility Name	Total Excess Reported	Transferred To other Federal Agencies	Scrapped	Abandoned Destroyed	Sold by VA	Proceeds from Non Scrap Sales	Proceeds from Scrap Sales
525	Brockton/West Roxbury	$2,138,874		$2,138,874				
526	Bronx	$979,147		$865,322	$113,037	$100,749	$676	$1,193
527	Brooklyn	$363,808		$344,287	$19,521			
528	Buffalo	$810,326	$400,000	$388,528	$0	$453,384	$11,199	
529	Butler	$66,362		$29,163		$34,505	$219	$632
531	Boise	$50,000		$50,000		$28,000	$923	$424
532	Canandaigua	$21,249		$21,249		$85,866	$2,499	
533	Castle Point	$138,784		$20,263		$15,065	$2,521	$1,652
534	Charleston	$603,839		$186,970		$520,000	$4,016	$315
538	Chillicothe	$235,284		$235,284		$49,096	$1,131	
539	Cincinnati	$852,552	$119,040	$17,186	$350,063	$671,272	$6,346	$172
540	Clarksburg	$90,703		$4,400		$87,303		
541	Cleveland	$502,856	$375	$502,481				$4,161
542	Coatesville	$68,749		$20		$10,682	$257	
543	Columbia, MO	$238,597	$36,443	$167,862	$34,292	$68,405	$1,735	$1,674
544	Columbia, SC	$122,104	$27,766	$94,338		$245,636	$68,525	$592
546	Miami	$600,597	$46,089	$10,000	$12,000	$40,000	$14,924	$5,372
548	West Palm Beach	$599,069						
549	Dallas	$290,304		$243,641				$2,005
550	Danville	$861,349	$157,644	$696,019			$7,589	$1,165
552	Dayton	$497,517	$41,233	$268,624	$5,727	$356,962	$400	
553	Detroit	$534,052	$152,176	$381,876		$105,935	$582	$346
554	Denver	$708,441	$573,918	$127,523				$50
555	Des Moines	$107,174		$29,335		$113,424	$2,034	$200
556	North Chicago	$526,442		$526,442				
557	Dublin	$273,903		$144,266	$7,894	$55,581	$83	$534
561	East Orange	$71,871		$71,871			$630	
562	Erie	$53,808		$4,787	$4,000			$455
564	Fayetteville, AR	$105,754		$91,938				$1,961
565	Fayetteville, NC	$26,441	$1,500			$337,694	$11,816	
567	Ft. Lyon	$148,694		$106,512				$4,776
568	Ft. Meade	$151,949	$16,045	$89,690	$25,972	$24,268	$77	$2,817
569	Ft. Wayne	$386,981		$49,488		$286,486	$3,119	
570	Fresno	$269,828	$107,576	$125,487	$36,765	$247,892	$673	$335
573	Gainesville	$538,577	$19,747	$207,567			$5,550	$90
574	Grand Island	$315			$315	$13,595	$113	
575	Grand Junction	$28,706		$28,706		$61,522	$686	$95
578	Hines	$6,053,055	$3,832,596	$2,220,459		$991,578	$18,000	$7,767
579	Hot Springs	$988,651	$3,000	$948,978		$948,978		$2,998
580	Houston	$405,099			$45,156	$161,062	$507	
581	Huntington	$95,460		$60,296		$22,526	$4,950	$202

Fiscal Year 1995 Excess and Surplus Property Transactions Reported To GSA

Station Number	Facility Name	Total Excess Reported	Transferred To other Federal Agencies	Scrapped	Abandoned Destroyed	Sold by VA	Proceeds from Non Scrap Sales	Proceeds from Scrap Sales
583	Indianapolis	$643,015	$8,579		$7,998	$540,516	$10,889	
584	Iowa City	$143,350		$18,028	$125,322			$9,590
585	Iron Mountain	$165,805		$81,273		$95,333	$1,742	$39
586	Jackson	$391,003	$66,822	$99,895		$568,845	$5,040	$36
589	Kansas City	$448,722		$316,190		$147,770	$5,575	$880
590	Hampton	$493,759	$493,759					$895
591	Kerrville	$177,931	$1,565	$12,430		$123,453	$4,698	$811
592	Knoxville	$155,516	$10,372	$133,373		$15,830	$156	$3,527
593	Las Vegas	$168,694		$12,913				$225
594	Lake City	$149,824		$76,863	$13,509			$855
595	Lebanon	$302,386	$176,871	$84,251		$182,626	$723	
596	Lexington	$108,534		$26,676	$38,506			$2,144
597	Lincoln	$0						
598	Little Rock	$2,905,062		$1,026,283		$2,905,062	$17,364	
599	Livermore	$80,382		$10,555		$50,437	$2,048	
600	Long Beach	$1,435,540	$251,072	$1,184,468		$19,778	$20,500	$2,315
603	Louisville	$457,625		$29,205	$7,238	$376,286	$8,095	$1,220
604	Lyons	$0						
605	Loma Linda	$819,458		$819,458				$6,225
607	Madison	$1,534,427	$917,177	$147,532		$275,125	$1,266	$1,037
608	Manchester	$108,937	$63,073	$10,397	$35,467	$169,749	$5,571	
610	Marion, IN	$78,610	$26,506			$49,104	$2,180	
611	Marlin	$17,636		$10,661				$200
612	No. Ca. Health Care	$0						
613	Martinsburg	$705,430		$99,238	$37,180	$332,277	$2,062	$450
614	Memphis	$730,602		$666,332				$3,016
617	Miles City	$113,308		$35,305	$18,418	$658,700	$443	
618	Minneapolis	$596,190	$108,412	$336,778	$10,038		$1,401	
619	Montgomery	$106,416		$8,445		$6,878	$320	$42
621	Mountain Home	$178,617		$41,575				$114
622	Murfreesboro	$1,066,262		$381,899		$272,564	$12,083	$2,360
626	Nashville	$605,670	$59,607	$479,543		$164,715	$1,300	
627	Newington	$15,524		$15,524		$33,224	$4,465	
629	New Orleans	$104,119				$1,041,194	$5,679	
630	New York	$93,973						
631	Northampton	$117,789		$96,269				$306
632	Northport	$26,329						
635	Oklahoma City							
636	Omaha	$349,581				$349,581	$5,047	
640	Palo Alto	$41,868		$16,485		$25,383	$300	
641	Perry Point	$753,335		$753,335				$2,250

Fiscal Year 1995 Excess and Surplus Property Transactions Reported To GSA

Station Number	Facility Name	Total Excess Reported	Transferred To other Federal Agencies	Scrapped	Abandoned Destroyed	Sold by VA	Proceeds from Non Scrap Sales	Proceeds from Scrap Sales
642	Philadelphia	$264,502			$264,502			
644	Phoenix	$415,510		$390,800				$16,302
645	Pittsburgh Highland	$800,349		$372,951				$380
646	Pittsburgh University	$693,097		$229,656				
647	Poplar Bluff	$99,931					$6,862	
649	Prescott	$7,925		$7,925		$57,474	$2,307	$1,368
650	Providence	$288,165			$4,250	$288,165	$7,044	
652	Richmond	$433,468		$433,468			$2,415	$37,904
653	Roseburg	$9,179	$280	$8,899				$752
654	Reno	$290,561	$6,031		$1,320	$129,572	$1,323	
655	Saginaw	$76,738				$33,989	$751	$561
656	St. Cloud	$154,848		$134,743	$8,434			$1,358
657	St. Louis	$37,273		$37,273		$720,710	$11,089	$387
658	Salem	$313,159	$23,422	$137,774		$137,361	$1,074	$81
659	Salisbury	$22,000		$22,000				$836
660	Salt Lake City	$1,532,681		$868,616	$519,264	$1,457,297	$2,342	$720
662	San Francisco	$1,609,993		$1,556,296				$2,154
663	Seattle	$334,311		$53,965			$1,460	$1,572
664	San Diego	$891,596		$244,672	$226,108	$460,107	$705	
665	Sepulveda	$1,600,803		$525,000	$34,654			$2,228
667	Shreveport	$105,384	$74,346	$17,232	$10,000	$109,675	$7,645	$75
668	Spokane	$7,505	$5,383	$2,122				$1,695
670	Syracuse	$9,233		$2,826		$18,659	$532	$81
671	San Antonio	$600,641	$0	$353,276		$63,500	$750	$4,595
672	San Juan	$2,198,482			$43	$640	$640	
673	Tampa	$627,440		$1,000		$449,004	$41,244	$3,036
674	Temple	$331,734						
676	Tomah	$411,715			$125,572			
677	Topeka	$140,476	$10,195					
678	Tucson	$133,248		$133,248		$24,358		
679	Tuscaloosa	$475,290		$475,290		$156,323	$103	
680	Tuskegee	$1,140,746		$1,083,061	$57,685		$521	$279
685	Waco	$554,933						
687	Walla Walla	$79,630					$1,522	
688	Washington	$2,155,299		$1,995,529				$5,325
689	West Haven	$112,019		$1,932	$110,087			
691	West Los Angeles	$1,619,186		$1,619,186				$4,391
692	White City	$187					$371	
693	Wilkes Barre	$378,686		$167,358	$182,385	$32,117	$2,940	$1,200
695	Milwaukee	$390,731		$105,403				$1,139
742	Income Match Program	$1,050		$1,050				

Fiscal Year 1995 Excess and Surplus Property Transactions Reported To GSA

Station Number	Facility Name	Total Excess Reported	Transferred To other Federal Agencies	Scrapped	Abandoned Destroyed	Sold by VA	Proceeds from Non Scrap Sales	Proceeds from Scrap Sales
757	Columbus	$514,362	$93,771		$339,213	$66,801	$15,385	
788	Atlanta	$32,249						
803	Bath	$0				$685	$26	
805	Calverton	$0						
806	Camp Butler	$17,321	$9,549	$7,772				
809	Danville	$4,619	$2,049	$2,570				
810	Dayton	$60,048		$60,048				
814	Keokuk	$1,460			$1,460			
818	Massachusettes	$2,318		$2,318				
825	Alexandria	$191				$191	$6	
833	Camp Nelson	$7,838			$7,838			
838	Corinth	$9,691		$9,691				
852	Jefferson Barracks							
859	Marietta	$9,814						
860	Memphis	$28,640		$28,640				
866	Natchez	$5,704	$5,704			$285	$20	
883	Zachery Taylor	$0				$11,380	$2,638	
888	Fort Logan	$2,810		$200				$68
892	Fort Rosecrans	$25,999		$1,983		$177,701		
895	Golden Gate	$241,210		$176,210				
898	Los Angeles	$10,456		$10,456				
901	Riverside	$3,537,822	$91,927	$3,445,895				
905	Sitka							
908	Fort Mitchell	$5,590		$330				
909	Fort Custer	$64,813				$935		
910	Ft. Richardson							
911	Florida	$63,019				$63,019	$160	
	Totals	$78,857,963	$8,519,578	$37,847,445	$2,847,760	$23,459,836	$548,846	$191,962
	totals per annual report	$82,149,971	$9,533,318	$39,592,468	$3,456,035	$26,966,662	$508,437	$123,075

Fiscal Year 1995 Excess Property Transactions Under FPMR Sale/Exchange Authority

Station Number	Facility Name	Original Cost of Property Exchanged	Value Received in Exchange	Original Cost of Property Sold	Value Received in Exchange
307	Buffalo				
309	Newark				
311	Pittsburgh				
316	Atlanta				
317	St Petersburg				
319	Columbia			$181,236	$36
322	Montgomery				
323	Jackson				
325	Cleveland	$14,270	$2,525		
327	Louisville				
331	St. Louis	$1,075	$100		
333	Des Moines			$21,590	$171
344	Los Angeles				
346	Seattle				
349	Waco				
377	San Diego				
402	Togus	$36,986	$5,250		
405	White River	$346,303	$94,106	$1,635	$56
436	Fort Harrison				
437	Fargo	$166,493	$14,500	$9,938	$3,711
438	Sioux Falls	$207,598	$30,810		
442	Cheyenne				
452	Wichita			$225,076	$3,704
460	Wilmington				
500	Albany	$1,060,473	$78,900	$44,960	$1,124
502	Alexandria	$450,846	$42,961	$149,407	$3,542
503	Altoona	$1,237,991	$84,875	$1,572	$10
504	Amarillo	$114,119	$64,229	$28,213	$106
508	Atlanta	$1,738,147	$130,500	$2,204,720	$27,046
509	Augusta	$298,181	$10,000	$504,872	$16,467
512	Baltimore				
513	Batavia	$57,779	$4,653		
514	Bath	$31,822	$4,112	$270,644	$12,130
515	Battle Creek	$174,799	$6,917	$69,417	$24
516	Bay Pines			$566,520	$11,738
517	Beckley	$65,245	$19,505	$90,654	$1,218
518	Bedford			$205,329	$8,001
519	Big Spring			$298,887	$3,283
520	Biloxi	$882,138	$2,835	$202,259	$227
521	Birmingham			$205,000	$3,487
522	Bonham			$64,897	$6,401
525	Brockton/West Roxbury				

Fiscal Year 1995 Excess Property Transactions Under FPMR Sale/Exchange Authority

Station Number	Facility Name	Original Cost of Property Exchanged	Value Received in Exchange	Original Cost of Property Sold	Value Received in Exchange
526	Bronx	$413,725	$127,717		
527	Brooklyn			$21,500	$1,500
528	Buffalo	$186,678	$7,759	$834,653	$22,919
529	Butler			$149,285	$2,572
531	Boise				
532	Canandaigua	$6,720	$600	$16,269	$236
533	Castle Point				
534	Charleston				
538	Chillicothe	$23,411	$5,000		
539	Cincinnati	$427,069	$42,400	$293,903	$1,279
540	Clarksburg	$213,074	$5,720	$74,360	$80
541	Cleveland	$146,618	$6,100		
542	Coatesville			$19,538	$220
543	Columbia, MO	$1,060,049	$172,532	$66,629	$9,170
544	Columbia, SC	$245,636	$68,525	$886,439	$9,200
546	Miami				
548	West Palm Beach	$5,329	$3,105		
549	Dallas				
550	Danville				
552	Dayton	$16,877	$900		
553	Detroit	$285,082	$63,951		
554	Denver	$79,300	$10,550		
555	Des Moines	$828,233	$18,925	$70,807	$2,677
556	North Chicago				
557	Dublin	$425,681	$79,531	$67,140	$5,179
561	East Orange	$12,000	$300		
562	Erie	$140,124	$12,577	$6,896	$5,750
564	Fayetteville, AR			$163,050	$1,138
565	Fayetteville, NC	$318,827	$19,272	$342,231	$15,756
567	Ft. Lyon				
568	Ft. Meade				
569	Ft. Wayne	$33,660	$19,598	$71,400	$8,529
570	Fresno	$87,128	$28,911	$313,957	$503
573	Gainesville	$179,524	$22,870	$510,585	$15,083
574	Grand Island	$1,800	$600		
575	Grand Junction	$6,412	$1,000	$77,260	$5,454
578	Hines				
579	Hot Springs				
580	Houston			$244,037	$2,913
581	Huntington	$891,480	$22,710	$5,727	$65
583	Indianapolis	$2,273,690	$128,144	$722,778	$19,033
584	Iowa City	$282,034	$127,996		

Fiscal Year 1995 Excess Property Transactions Under FPMR Sale/Exchange Authority

Station Number	Facility Name	Original Cost of Property Exchanged	Value Received in Exchange	Original Cost of Property Sold	Value Received in Exchange
585	Iron Mountain	$2,485	$1,500		
586	Jackson	$49,317	$17,796	$75,722	$1,195
589	Kansas City	$17,424	$463	$36,263	$1,211
590	Hampton	$55,584	$8,260	$407,680	$3,684
591	Kerrville		$4,500		$100
592	Knoxville	$7,367	$500	$123,095	$10,713
593	Las Vegas				
594	Lake City	$320,480	$52,941	$125,776	$13,318
595	Lebanon	$32,258	$2,275		
596	Lexington	$240,768	$130,225	$608,245	$4,071
597	Lincoln				
598	Little Rock	$1,476,217	$71,142	$544,692	$574
599	Livermore	$24,470	$700	$15,005	$659
600	Long Beach				
603	Louisville	$166,236	$28,216	$795,877	$5,556
604	Lyons				
605	Loma Linda				
607	Madison				
608	Manchester	$44,390	$17,345		
610	Marion, IN	$127,702	$1,001	$354,447	$10,030
611	Marlin			$55,886	$7,000
612	No. Ca. Health Care				
613	Martinsburg				
614	Memphis		$1,421,820		$170,900
617	Miles City	$11,083	$1,000		
618	Minneapolis				
619	Montgomery				
621	Mountain Home	$1,039,791	$65,470	$611,038	$12,106
622	Murfreesboro	$183,851	$31,717	$239,979	$2,925
626	Nashville	$13,651	$9,706	$63,968	$2,511
627	Newington			$82,307	$500
629	New Orleans				
630	New York			$685,846	$3,230
631	Northampton	$950,427	$3,400		
632	Northport	$149,771	$32,704		
635	Oklahoma City	$137,520	$34,926	$57,635	$34,926
636	Omaha	$1,542,526	$19,522	$159,281	$7,261
640	Palo Alto			$7,822	$33
641	Perry Point				
642	Philadelphia				
644	Phoenix	$1,179,822	$71,434		
645	Pittsburgh Highland	$131,651	$3,850		

Fiscal Year 1995 Excess Property Transactions Under FPMR Sale/Exchange Authority

Station Number	Facility Name	Original Cost of Property Exchanged	Value Received in Exchange	Original Cost of Property Sold	Value Received in Exchange
646	Pittsburgh University				
647	Poplar Bluff				
649	Prescott				
650	Providence			$107,232	$5,815
652	Richmond				
653	Roseburg	$148,500	$3,300	$71,363	$563
654	Reno	$37,539	$12,329	$7,650	$668
655	Saginaw	$7,896	$850	$33,989	$751
656	St. Cloud	$41,187	$3,100		
657	St. Louis	$268,074	$29,417	$308,824	$9,010
658	Salem	$1,611,876	$46,000	$24,720	$142
659	Salisbury			$347,525	$4,073
660	Salt Lake City				
662	San Francisco				
663	Seattle	$85,116	$29,240	$264,359	$12,279
664	San Diego				
665	Sepulveda	$7,985	$400	$404,598	$837
667	Shreveport	$1,265,144	$189,190	$80,288	$5,999
668	Spokane				
670	Syracuse	$16,956	$2,500	$18,659	$502
671	San Antonio	$189,039	$139,425	$1,453,837	$107,362
672	San Juan				
673	Tampa			$610,691	$48,103
674	Temple			$172,887	$1,530
676	Tomah				
677	Topeka			$218,701	$5,252
678	Tucson			$24,358	$23
679	Tuscaloosa			$75,400	$11,874
680	Tuskegee	$111,198	$72,084	$72,810	$664
685	Waco				
687	Walla Walla			$18,353	$352
688	Washington				
689	West Haven			$32,291	$1
691	West Los Angeles				
692	White City			$27,630	$894
693	Wilkes Barre	$603,783	$32,800	$36,475	$2,336
695	Milwaukee	$824,580	$10,000	$14,186	$12,316
742	Income Match Program				
757	Columbus				
788	Atlanta				
803	Bath			$16,515	$1,153
805	Calverton	$13,079	$1,850		

Fiscal Year 1995 Excess Property Transactions Under FPMR Sale/Exchange Authority

Station Number	Facility Name	Original Cost of Property Exchanged	Value Received in Exchange	Original Cost of Property Sold	Value Received in Exchange
806	Camp Butler				
809	Danville				
810	Dayton				
814	Keokuk				
818	Massachusettes				
825	Alexandria				
833	Camp Nelson				
838	Corinth				
852	Jefferson Brrcks	$65,077	$7,000	$23,300	$1,551
859	Marietta				
860	Memphis				
866	Natchez				
883	Zachery Taylor				
888	Fort Logan				
892	Fort Rosecrans				
895	Golden Gate				
898	Los Angeles				
901	Riverside				
905	Sitka				
908	Fort Mitchell				
909	Fort Custer	$41,027	$10,464		
910	Ft. Richardson				
911	Florida			$63,019	$159
	Totals	$28,717,273	$4,216,433	$19,885,494	$758,449
	totals per annual report	$33,235,251	$3,386,483	$15,814,079	$673,901

RESULTS OF SURVEY QUESTIONNAIRE

As a result of visits to two sites (Miami and Cincinnati), we concluded that VA facilities were likely to vary significantly in their locally implemented policies and procedures regarding the handling of proceeds from the sale of excess equipment. We also concluded that facilities were probably inaccurately reporting program activity. We developed and sent a survey questionnaire to an additional 37 facilities which were selected based on the level of excess equipment activity that they reported for FY 1995. The criteria used was judgmental and was based on the requirement that the facility chosen had reported that it was among the most active in at least one category (e.g., total property excessed, transferred, scrapped, sold, exchanged, etc.).

The objectives of the questionnaire were to: (1) gain an understanding of the processes employed by facilities to implement excess property policies and to identify significant differences among facilities in their operations, (2) verify the information reported in the FY 1995 Annual Report of Utilization and Disposal of Excess and Surplus Personal Property submitted to GSA, and (3) determine where/how facilities disposed of the proceeds received from the sale of VA personal property.

The following summarizes our principal questions and the responses provided by the surveyed facilities:

Record Keeping

We asked facilities to list all personal property excessed/surplused during FY 1995 to include the original turn-in date, requesting office, property description and condition, acquisition value, final disposition, date of final disposition, and if sold the amount (proceeds) received and where the funds were deposited. Some facilities were unable to provide the information requested. Eleven (30 percent) were unable to provide all of the requested specifics regarding turn-in dates, requesting office, condition, and/or disposition and seven (19 percent) were unable to provide specifics regarding proceeds and/or the disposition of proceeds.

Reporting Accuracy

We asked all facilities to provide summary data for FY 1995 showing the total acquisition cost of property excessed and total proceeds. These data were compared with what was reported to GSA in the annual report compiled by the VACO program office for the same period. The chart on the following page shows the significant reporting variations which were found:

Reporting Differences Identified for Acquisition Costs and Proceeds Derived From Excess Property Sales for FY 1995

Facility	Acquisition Costs per Survey	Acquisition Costs per Annual Report to GSA	Difference	Proceeds per Survey	Proceedsper GSA Report	Difference
San Diego	$0	$0	$0	$0	$195	($195)
Albany	$637,479	$130,276	$507,203	$17,325	$15,359	$1,966
Altoona	$21,915	$34,870	($12,955)	$548	$302	$246
Amarillo	$409,583	$1,770,630	($1,361,047)	$806	$4,143	($3,337)
Atlanta	$2,606,696	$585,875	$2,020,822	$19,063	$0	$19,063
Bay Pines	$79,564	$916,471	($836,907)	$6,503	$51,353	($44,850)
Birmingham	$1,614,401	$2,644,230	($1,029,829)	$6,271	$4,107	$2,164
Brockton/W. Roxbury	$2,690,851	$2,138,874	$551,977	$100	$0	$100
Buffalo(1)	$2,262,031	$1,219,665	$1,042,366	$17,021	$16,604	$417
Columbia, SC	$195,394	$122,104	$73,290	$2,914	$69,117	($66,203)
Hines	$593,860	$6,053,055	($5,459,195)	$3,137	$25,767	($22,630)
Hot Springs	$770,651	$988,651	($218,000)	$3,095	$2,998	$97
Houston	$936,088	$405,099	$530,989	$7,978	$507	$7,471
Indianapolis	$2,594,222	$643,015	$1,951,207	$39,276	$10,889	$28,387
Little Rock	$5,968,790	$2,905,062	$3,063,728	$20,550	$17,364	$3,186
Long Beach	$1,054,190	$1,435,540	($381,350)	$19,730	$22,815	($3,085)
Madison	$258,325	$1,534,427	($1,276,102)	$1,811	$2,303	($492)
Memphis	$2,296,220	$730,602	$1,565,618	$0	$3,016	($3,016)
Minneapolis	$979,244	$596,190	$383,054	$755	$1,401	($646)
Mountain Home	$10,851	$178,617	($167,766)	$0	$114	($114)
Murfreesboro(2)	$777,843	$1,671,932	($894,089)	$14,608	$15,743	($1,135)
New Orleans	$247,303	$104,119	$143,184	$6,195	$5,679	$516
Oklahoma City	$682,213	$0	$682,213	$14,600	$0	$14,600
Phoenix	$95,889	$415,510	($319,621)	$16,302	$16,302	$0
Richmond	$1,068,227	$433,468	$634,759	$10,569	$40,319	($29,750)
Salem	$2,085,301	$313,159	$1,772,142	$1,996	$1,155	$841
Salt Lake City	$3,222,524	$1,532,681	$1,689,843	$2,539	$3,062	($523)
Seattle(3)	$0	$334,311	($334,311)	$0	$3,032	($3,032)
San Diego	$1,776,021	$891,596	$884,425	$20,537	$705	$19,832
Sepulveda	$2,159,471	$1,600,803	$558,668	$1,830	$2,228	($398)
Shreveport	$195,561	$105,384	$90,177	$8,165	$7,720	$445
Spokane	$185,261	$7,505	$177,756	$1,518	$1,695	($177)
Syracuse	$751,705	$9,233	$742,472	$71	$613	($542)
San Antonio	$508,305	$600,641	($92,336)	$4,372	$5,345	($973)
Tampa	$988,310	$627,440	$360,870	$13,991	$44,280	($30,289)
Milwaukee	$0	$390,731	($390,731)	$0	$1,139	($1,139)
Riverside	$115,310	$3,537,822	($3,422,512)	$872	$0	$872
Totals	$40,839,599	$37,609,588	$3,230,011	$285,048	$397,371	($112,323)

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(1) The survey data submitted by VAMC Buffalo included the Buffalo Regional Office, Batavia, and the Rochester Outpatient Clinic. The data was not separated by station. We included all of the information that was submitted to GSA.

(2) VAMC Murfreesboro and Nashville acquisition costs and proceeds could not be separated. It could not be determined which items were turned in by which station. Because of this the Nashville annual reports were included.

(3) VAMC Seattle acquisition cost and proceeds could not be determined. The cost of property excessed in FY 1995 and FY 1996 were combined. No sale proceeds were indicated.

Disposition of Proceeds

We asked facilities to identify where they deposited funds derived from the sale of their excess/surplus equipment and other personal property. In response, 32 of the 37 facilities included in our survey informed us that during FY 1995 they had sales of surplus equipment and/or scrap totaling $285,047 of which the disposition of $2,127 was not specified in the facilities responses. The following chart shows which appropriation accounts were used to deposit sale proceeds:

Account Number	Surplus Equipment	Scrap	
36 3220	$ 128,447	$ 57,795	
36X3845	19,125	993	
36_0160	22,620	8,240	
36X0160X2	18,933	0	
36F4537	8,142	4,405	
36F3875	14,220	0	
Total Deposits specified	$211,487	$ 71,433	$282,920
Total Deposits not specified.	1,949	178	$2,127
Total Proceeds	**$ 213,436**	**$ 71,611**	**$285,047**

Of the 32 facilities which responded to our inquiry as having deposited sales proceeds, 21 (66 percent) primarily used the General Fund Receipts/Treasury account (36 3220).

Use of Sale/Exchange Authority

We asked facilities to list all personal property which was sold or exchanged during FY 1995 under the authority contained in FPMR 101-46 including the original turn-in date, requesting office, property description and condition, acquisition value, final disposition, date of final disposition, and if sold the amount (proceeds) received and where the funds were deposited. Ten facilities reported that they did not use the authority during FY 1995.

Procedures Used in Identifying, Processing, and Disposing of Excess Property

To determine the extent facilities use tools and techniques which are available and intended to make the identification and disposition of excess property more efficient, we asked each to describe local procedures and to what extent electronic tools such as REPADE, FEDS-SCREEN, and FORUM are used.

Most stations use FORUM to advertise excess property to other VA facilities. However, very few use REPADE or FEDS-SCREEN. Of the 37 stations in our survey 27 used FORUM, 6 used

REPADE, 6 used FEDS-SCREEN, 3 did not use any of the 3 systems (5 stations did not indicate what systems they had, if any). Reasons given for not using REPADE and/or FEDS-SCREEN included the difficulty and slowness in accessing the systems, the need to purchase software and a modem, the need to dedicate a telephone line, and the fact that a computer is needed to access these systems. One facility reported that they had developed their own system and another reported that although they initially go "on line" with REPADE and FEDS-SCREEN, GSA asked them to continue their manual reporting.

MONETARY BENEFITS IN ACCORDANCE WITH IG ACT AMENDMENTS

REPORT TITLE: Audit of VA's Excess Equipment Program

Project Number: 6D2-172

Recommendation Number	Category/Explanation of Benefits	Better Use of Funds	Questioned Costs
1	Ensure that proceeds from the sale or exchange of unneeded equipment are retained for use by the Department to the maximum extent possible.	$5 million	
Total		$5 million	

MEMORANDUM FROM THE DEPUTY ASSISTANT SECRETARY FOR ACQUISITION AND MATERIEL MANAGEMENT

Department of Veterans Affairs

Memorandum

Date: December 24, 1996

From: Deputy Assistant Secretary for Acquisition and Materiel Management (90)

Subj: Draft Report of Audit of VA's Excess Equipment Program (Your Memo dated November 26, 1996)

To: Assistant Inspector General for Auditing (52)

1. This office has reviewed the draft report of the Audit of VA's Excess Equipment Program, and we offer the following comments:

a. Memorandum to the Deputy Assistant Secretary for Acquisition and Materiel Management (DAS for A&MM):

(1) Stated in paragraph 2: "If property is not in serviceable condition, then it is sold as scrap", is not entirely accurate since the property could be processed as salvage or abandoned/destroyed.

(2) Stated in paragraph 3: Process of $14.5 million dollars appear overstated. The approximate total, as reflected on the Annual Reports to GSA, was $5.0 million dollars.

b. Opportunities are available for VA to retain the majority of revenues received from the sale or exchange of unneeded equipment.

(1) Although Public Law 103-329, Executive Order 12873, authorizing VA retention and usage of funds resulting from the sale of materials recovered through recycling of scrap/salvage is relatively new, several media methods are being utilized for recognition and implementation of the program. These include publication of newsletters to field activities and VISN Directors, periodic national conference calls, and dissemination via the national e-mail system.

(2) We agree with Recommendation 1 that the revenue from property sales should be retained by VA as a budget enhancement and that approximately $5.0 million dollars was generated in FY 95, the majority of which was returned to the Treasury Department.

VA FORM 2105
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MEMORANDUM FROM THE DEPUTY ASSISTANT SECRETARY FOR ACQUISITION AND MATERIEL MANAGEMENT

2.

Assistant Inspector General for Auditing (52)

(3) In order to furnish facilities procedures and instructions for processing revenues into VA accounts, a request was forwarded to the Deputy Assistant Secretary for Financial Policy (047G) in July 1996. The procedures have now been developed and are being reviewed by Central Office program officials, as well a selected VA medical centers. When the procedures have been finalized, they will be publicized nationwide.

c. Controls over the receipt and disposition of funds from the sale of personal property need strengthening.

(1) As stated in paragraph 3 above, the procedures for the processing of revenues have been developed and are being reviewed prior to release to the field. As part of the instructions, a revenue source code has been established for tracking proceeds. This should satisfy the requirements as outlined in Recommendation 2, paragraph 2., “ensuring that sale proceeds are handled in a consistent manner.”

(2) We do not agree with Recommendation 2b. that the DAS for A&MM establish a “fair market value” for excess equipment that is to be sold or exchanged. This is a function that should remain decentralized. Several factors affect the equipments fair market value such as age, obsolescence, and usage.

d. The Department needs more accurate reporting of the results of its property disposal activities.

(1) At the time of this audit, the requirement for submission of annual reports to GSA for excess and exchange/sale activity was valid. However, we have received an interim notice prior to a formal FPMR amendment from GSA eliminating the requirement effective FY 96. Therefore, in our opinion, no action is necessary for Recommendation 3.

[Signed]
Gary J. Krump

VA FORM 2105
MAR 1989

MEMORANDUM FROM THE DEPUTY ASSISTANT SECRETARY FOR ACQUISITION AND MATERIEL MANAGEMENT

Department of Veterans Affairs

Memorandum

Date: January 24, 1997

From: Deputy Assistant Secretary for Acquisition and Materiel Management (90)

Subj: Draft Report of Audit of VA's Excess Equipment Program (My memo dated December 24, 1996)

To: Assistant Inspector General for Auditing (52)

1. Per telephone conversation between Kathy Jackman, (92A) and Greg Gibson (52CO) the following changes were agreed on:

a. Your report will be amended to reflect the additional alternative of processing unserviceable excess equipment as salvage or abandoning / destroying it as suggested in my previous memo.

b. Paragraph 3 of the report will be amended to more clearly explain that the term "total Proceeds" includes proceeds from VA sales as well as from GSA sales and the reported value of trade-in allowances as suggested in the previous memo.

c. Recommendation 2b of the report will reflect our intention that facility property managers and staff will establish the "fair market value" of excess property and not the DAS / OA&MM. The wording agreed on is as follows: *"Requiring facility property managers to estimate the "fair market vale" of excess equipment that is to be sold or exchanged."*

d. Finally, the last paragraph of the previous memo should be amended to read as follows: *"A revised VA reporting system will address the issues highlighted in the report. Specifically; (1) manual intervention will be reduced to a minimum, (2) estimates of fair market value of property to be disposed will be recorded in addition to the original acquisition cost, and (3) the inclusion of a revenue source code will allow for the tracking of proceeds*"

The revenue source code "SF20" will be added to the Financial Management System tables. This will denote Supply Fund proceeds; most other proceeds go into Fund 3220 - Treasury Department.

4. Should additional information be required please contact Ms. Jackman, 273-6088.

Gary J. Krump

VA FORM 2105
MAR 1989

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