

ID: 10-S-04GA

State: Georgia/Department of Administrative Services

Assign Program Category (applicant): **Government Operations & Technology: Administration**

1. Program Name: **Virtual Surplus Property Program**

2. Administering Agency: GA Department of Administrative Services
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9. Please provide a two-sentence description of the program.

The Georgia Department of Administrative Services (DOAS), Surplus Property Division converted the centralized collection and auction of state surplus property from a traditional, "brick and mortar" model into a completely virtual model. As a result, in just one year, the division saved more than \$1M in warehouse operations and personnel costs alone.

10. How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on March 1, 2010 to be considered.

The virtual process was officially implemented in October 2008, when the warehouses were closed to property receiving.

11. Why was the program created? What problem[s] or issue[s] was it designed to address?

Planning for virtual disposal began in the spring of 2007, during the department's strategic planning cycle. A cost of goods analysis revealed that the state only recovered its costs on property that was sold in place, not transported to one of three regional surplus warehouses. This analysis included only DOAS Surplus operating costs, not individual agency handling or transportation expenses. The program was designed to mitigate the overall cost to the state to manage surplus property.

12. Describe the specific activities and operations of the program in chronological order.

The Surplus Division has been conducting internet sales to the public since 2005. Prior to this time, all property that was not redistributed was sold quarterly through live auctions, yielding four inventory turns per year. In 2005, we stopped all live auctions in lieu of pure internet sales. Property is made available for redistribution for 30 days, and then sold to the public on e-Bay, GovDeals and Liquidation.com. Since all centers are on a 30-45 day cycle, inventory turns increased to 10-12 per year.

Having completed the cost of good analysis, the original plan was a phased approach to closing the warehouses over 2-3 year period. Since the division manages both the state and federal surplus, we intended to convert the federal program to direct donation only, then phase out electronics and vehicle disposal, followed by all other property categories. There would have been corresponding staff reductions until all centers were closed, with training and education on the new procedures for state agencies. The current economic downturn necessitated immediate implementation of this plan.

In August 2008, the affected warehouse staff (20) was notified that the centers would close in October and the inventory at all three centers was liquidated.

The original intent was to leave administrative staff in place at each center so that staff familiarity could help smooth the transition to the virtual disposal process. Unfortunately, revenue projections continued to decline, necessitating the loss of an additional 5 staff.

- September 2008
 - Federal inventory was redistributed to other states, federal agencies then sold to the public through GSA on-line auctions
 - State inventory was redistributed to local governments and non-profit agencies
 - Surplus assets; forklifts, CCTV systems, telephone & computer equipment, etc. were also redistributed and/or sold as they were no longer needed.
- October 2008 - Closed all facilities to property receiving
- Developed disposal process based on fair market value of the property. Includes destruction, redistribution, “Buy it now” internet sale, internet auction.
- Implemented changes in electronics disposal policy and contract to streamline the process and still ensure compliance with personal information security.
 - Vendor can pick-up electronics anywhere in state for \$0.03/pound (\$25.00 minimum = 833 pounds). Electronic components de-manufactured to raw material.
- Contract with local auto auction vendor so that vehicles that must be moved can be sent to a secured location. Facility still permits redistribution and conducts sale of vehicles not redistributed.
 - Contracted towing at \$1.10 per mile per vehicle anywhere in Georgia to auction facility. No hook or additional fees.
- Revised regulations to permit donation of assets to local non-profit agencies in lieu of wasted disposal. This reduces landfill fees (and the fill) and supports the local economy.
- Revised the GA Surplus Property Manual to reflect the procedural changes.

13. Why is the program a new and creative approach or method?

It is innovative because it takes advantage of off-the-shelf technology and fulfills the requirements for redistribution and public sale of surplus assets without

14. What were the program’s start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

There were no additional start-up costs. Basic technology required MS Office, MS Internet Explorer. There was modification to the QuickBase data base, but it was completed with in-house IT resources that are funded through “overhead” payments by the division.

15. What are the program’s annual operational costs? \$1,200,000.00

16. How is the program funded?

The program is completely self-funded from the proceeds of negotiated and public sales. Georgia laws require that some agencies retain the proceeds from the sale of their assets. Approximately 55-60 percent of the gross revenue generated by the division is returned to these agencies.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.

No, the existing surplus legislation (O.C.G.A. §50-5-51) permits the DOAS commissioner to promulgate rules and regulations to accomplish the functions of surplus.

18. What equipment, technology and software are used to operate and administer this program?

The program is managed by a hosted database (QuickBase). Digital cameras and e-mail capability are the only other technology needed. Internet sales are processed through private providers (e-Bay, GovDeals, Public Surplus) and all payments are managed through PayPal.

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address. Yes, we believe that we are the first state to manage both state and federal surplus programs in this manner.

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20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?

Yes, other states have similar programs. New York and California operate their federal programs as direct donation operations. Maryland closed its state property warehouse and has transitioned into a virtual business model. However the state does not deal with all commodities of property.

Georgia's program is unique (to the best of our knowledge) because it is the **only** state that manages **all** commodities of both federal and state surplus through completely virtual processes. Also, having completed a thorough cost of goods analysis, we have documented that this business model saves the money.

21. Has the program been fully implemented? If NO, what actions remain to be taken?

Yes, the program has been fully implemented. Planned enhancements include web-based forms, e-signature capability, and further refinements to the database.

22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples:

Pros:

- Reduced operating expenses by \$1M in first year
- Transportation savings at agency level is incalculable
- Makes property available throughout the state, not just around the service centers
- International exposure--GA has sold to 43 states and 9 countries
- Move information, not material

Cons:

- Surplus staff has to rely on accurate descriptions and photos from the field
- Having to "sell the savings" to state agencies (see question 24, for elaboration).

23. How has the program grown and/or changed since its inception?

There have been additional personnel reductions. The original plan called for 12 personnel (from 32). Decline in projected revenue required the loss of an additional five positions. This required that we revise the work distribution by function between the remaining eight staff.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

The biggest obstacle encountered was (is) "selling" the program to the state agencies. Typically, there is a lack of understanding of direct vs. indirect costs. Agencies used to just load everything into a truck and drop it at surplus. We are educating them that it takes less time and cost to show a good photo and e-mail the description than trucking it across the state.