



Finance
Internal Audit & Licensing

Interim Chief Executive Officer

Lee May

Board of Commissioners

District 1
Elaine Boyer

District 2
Jeff Rader

District 3
Larry Johnson

District 4
Sharon Barnes Sutton

District 5
Lee May

District 6
Kathie Gannon

District 7
Stan Watson

DATE: December 12, 2013
TO: Kelvin Walton, Director of Purchasing & Contracting
FROM: Cornelia Louis, Interim Deputy Director of Finance - DIAL
SUBJECT: 2013 Surplus Auction Review

General Information

We conducted a review of the DeKalb County's Surplus Auction which was administered by Adesa-Atlanta LLC. Adesa provided online and live auction services simultaneously for the County. The auction was held on October 26, 2013 and generated gross sales in the amount of \$1,207,890 of which \$1,100,441.50 was remitted to DeKalb County after expenses were deducted. DeKalb County Government auctions surplus materials and equipment which includes, but is not limited to cars, off-road equipment, computers, desks, chairs, file cabinets, lawn mowers, tools, and other surplus items. The surplus auction is organized by DeKalb County's Purchasing & Contracting (P&C) Department.

Purpose and Scope

The purpose of our review is to determine if Adesa- Atlanta LLC complied with the terms of the service agreement to provide auctioneering services for DeKalb County.

Opinion

In our opinion, Adesa-Atlanta LLC is in compliance with the terms of the service agreement.

Comment – Contractual Agreement with Adesa-Atlanta LLC

During our review, Internal Audit obtained a copy of the new contract agreement executed between DeKalb County and Adesa for auctioneer services, which automatically renews on "each January 1st and terminate each and every December 31st as required by O.C.G.A. 36-60-13." The contract will terminate, with no further renewals, on December 31, 2014, unless extended by change order adopted and approved by the DeKalb County Governing Authority and the Contractor.

The contract does not have an execution date nor was it approved by the Board of Commissioners (BOC). Internal Audit inquired about the BOC's approval of the contract from P&C. P&C personnel said that P&C "produced a new contract with Adesa for record purposes only, but utilized the initial BOC approval to conduct annual auctions (month-to-month) until a new RFP is established." The month-to-month extension approved on October 19, 2009 by the BOC extended the terms of the previous contract (contract# # 08-800501).

We recommend Purchasing & Contracting adhere to the departmental policies and procedures that all contracts that exceed 100,000 to be approved by the board.

Adesa receives “6% of the total sales for each auction plus transportation and reconditioning fees provided at cost, unless changed by written Change Order in accordance with the terms of this Contract.”

In the past, each year, the Adesa-Atlanta LLC has submitted the following to the County.

Year	Surplus Auction Gross Sales Amt	Net Sales Amt Remitted to DeKalb County	Amt Adesa Received from Surplus Auction	% of Gross Sales Adesa Received
2009	\$451,705	\$393,308.47	\$58,396.53	13%
2010	\$2,043,610	\$1,869,940.40	\$173,669.60	8%
2011	\$1,199,985	\$837,591.35	\$362,393.65	30%
2012	\$1,325,816	\$1,214,787.71	\$111,028.29	8%
2013	\$1,207,890	\$1,100,441.50	\$107,448.50	8%

The contract agreement with Adesa was not solicited for an open bid. Requests for Professional Services that exceed \$50,000 require a RFP and the issuance of a Professional Service Contract. We recommend Purchasing & Contracting adhere to the departmental policies and procedures of advertising all goods or services for open bids that cost more than \$50,000. This was mentioned in our 2012 Surplus Audit Report.

The benefit of an open bid process for goods and services promotes competition between suppliers, offers transparency, and gives all suppliers the opportunity to win the business that is advertised. We also recommend that Purchasing & Contracting Department bid the County’s auction services for competitive bidding no fewer than once every two years.

We appreciate the cooperation and assistance we received from your staff during this review.

Sincerely,



Cornelia Louis

CL/AW

cc: Zachary L. Williams, Chief Operating Officer / Executive Assistant
Morris Williams, Interim Deputy Chief Operating Officer of Infrastructure
Gwen Brown-Patterson, Interim Chief Financial Officer/Finance Director
Greg Brake, Associate Director, Department of Public Works, Fleet Maintenance