



**Internal Audit Division  
Finance Department  
DeKalb County**

**FLEET MANAGEMENT**

**2016 ANNUAL SURPLUS AUCTION**

**JANUARY 2017**

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Internal Audit Division**

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**TRANSMITTAL MEMORANDUM**

**DATE:** January 13, 2017

**TO:** Robert L Gordon, Deputy Director-Department of Public Works,  
Fleet Management

**FROM:** Cornelia Louis, Deputy Director of Finance-Internal Audit

**SUBJECT:** 2016 Surplus Auction Review

Attached is the audit report of the 2016 Surplus Auction. The comments in the report were discussed with Robert Gordon, Vernetha Halls and Shondra Turner during the Exit Conference on January 13, 2017.

If you have any questions about the audit or this report, please feel free to contact me at 404-371-2639.

Sincerely,

Cornelia Louis

cc: Appendix C



## **Table of Contents**

<b>EXECUTIVE SUMMARY</b>	<b>4</b>
<b>COMMENTS</b>	<b>7</b>
<b>APPENDIX A – ACKNOWLEDGEMENTS</b>	<b>9</b>
<b>APPENDIX B – DEFINITIONS AND ABBREVIATIONS</b>	<b>10</b>
<b>APPENDIX C – DISTRIBUTION LIST</b>	<b>11</b>





## **EXECUTIVE SUMMARY**

### **Background**

In 2014, Fleet Management, a division of DeKalb's Public Works Department, assumed full responsibility for managing the County's Surplus Auction (s). Surplus Property may consist of items that are not currently being used, obsolete, or inoperable. Such property includes vehicles, trucks, heavy equipment, tractors and on road and off road equipment; public safety surplus equipment; computer equipment and office furniture.

Adesa Atlanta, LLC (Adesa), executed a professional services contract with DeKalb County Government (County) in 2014 for auction services. The contract terminates without obligation on the part of the County each and every December 31; however, it automatically renews on each January 1<sup>st</sup>. Final termination occurs on December 31, 2018 with no further renewals unless extended by a change Order (amendment).

The contract between the County and Adesa contained the following key provisions.

- Arrangement of vehicles in an organized manner.
- Appropriate Tagging of vehicles.
- Vehicle/ Equipment rates
  - Drivable-functional passenger vehicles \$50 charge with 10% markup
  - Non-drivable-tow passenger vehicles \$75 charge with a 10% markup
  - CDL vehicles-equipment \$125 charge with 10% markup
  - Heavy tows \$300 with 10% markup
- Placement of advertisement in various mediums, such as:
  - The Champion newspaper
  - The Atlanta Daily World
  - DeKalb Neighbornews Online
  - On Common Ground
  - Equipment Trader
- Secure Storage Area – 290 acre facility fenced with barbed wire, and cameras
- Financial documents – Sale and Expense Summary Report, Contract Report and a copy of the remitted check

The 2016 Auction consisted primarily of heavy-duty, pick-ups, lite trucks and sedans which were approved by DeKalb County Commissioners for inclusion in the 2016 Surplus Auction. It was held on October 29, 2016 and approximately 200 surplus units were sold. DeKalb County employees and residents received a discount upon presentation of valid identification.



The auction generated total gross sales of \$923,720; \$851,228.30 was remitted to the County after expenses were deducted. Gross sales decreased by \$1,030,175 from the prior year. Overall, there was a reduction in surplus vehicles presented for sale at the 2016 auction. The decline was noticeable in the Heavy Duty Truck category, which normally accounts for a significant portion of the revenue generated.

### **Objective and Approach**

The purpose of our review was to determine if Adesa-Atlanta LLC complied with the terms of the service agreement to provide auctioneering services for DeKalb County. Our methodology includes interviews and discussions with key staff at Adesa and DeKalb County, analysis and review of pertinent documents, and observation of the auction environment. Internal Audit conducted such audit tests and procedures as were deemed necessary. We believe that our audit provides a reasonable basis for our opinion.

### **Summary of Observations**

Adesa-Atlanta LLC complied with the terms of the service agreement to provide auction services for DeKalb County. The process was efficient and provided favorable results.

### **Overall Recommendation and Next Steps**

We recommend continued efficient auction operations and proven results; demonstrated through excellent customer service, technologically equipped facilities, major contacts in varied vehicle markets and viable working relationships with County staff and customers.



**Approvals:**

Original Signed by:

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**Cornelia Louis**

Deputy Director of Finance  
Internal Audit Division  
Department of Finance  
DeKalb County





## COMMENTS

### 1. Omitted Transportation Cost – Sales & Expense Summary

The net proceeds shown on Adesa's Sales & Expense Summary report issued to Fleet Management differ from the settlement check disbursed to DeKalb County by approximately \$1,705. To ensure discrepancies are addressed, and operational objectives are achieved, it is necessary that "appropriate control activities are employed, such as reconciliations of summary information to supporting detail and checking the accuracy of summarizations of operations."<sup>1</sup> Therefore, "operating management compares production, sales, or other operating information obtained in the course of its daily activities to system-generated information and follows up on any inaccuracies or other problems that might be found."<sup>2</sup> We recommend that Fleet Management personnel ensure final copies of Adesa's Sales and Expense Summary report and other relevant financial reports agree with the settlement check disbursed to the County. Also, accurate reports provide proper forecasting of surplus revenue and expenses.

### 2. Drivable and Road Worthy or Towing Status

Fleet management staff assesses the condition of surplus items and compiles a report for the Board of Commissions' approval. However, due to inactivity, some vehicles may become unroadworthy. As a result, Adesa's staff independently reassesses and confirms the road worthiness of the surplus vehicles prior to transporting them to their facility. Vehicles are either driven or towed to Adesa's facility by an independent vendor contracted by Adesa. During the review, we observed at least one instance where a 2006, Ford Econoline Cargo Van, E-250 (HT57 non-commercial vehicle) was assessed a transportation charge of \$137.50, which is comprised of \$55 drivable fee, \$75 tow and 10% of the \$75 tow fee for Adesa. The transportation costs are not outlined in the contract and may differ from year to year. The transportation cost for the 2016 Surplus Auction range from \$50 to \$300 [*Drivable vehicles: \$50 to \$125; Non-Drivable Vehicles (Towing): \$75 to \$300*], plus 10% markup, which is remitted to Adesa. This approach may allow for transportation cost that may lead to over reporting in towing and under reporting in drivable costs.

Management is ultimately responsible for engagements outsourced to vendors. Therefore, proper oversight and continuous supervision should be provided to ensure internal control objectives are met.

We recommend Fleet Management provided oversight on the reassessment of the surplus vehicles' roadworthiness to confirm Adesa's decision regarding the vehicle(s) drivable condition. This should provide Fleet Management with an accurate estimate of anticipated transportation cost.

<sup>1</sup> GAO-01-1008G – Internal Control Management and Evaluation Tool , Page 35

<sup>2</sup> GAO-01-1008G – Internal Control Management and Evaluation Tool, Page 60





### **3. Sales Summary**

In the past, Adesa-Atlanta LLC submitted the following net sales amount to the County.

<b>Year</b>	<b>Surplus Auction Gross Sales Amount</b>	<b>Net Sales amount Remitted to DeKalb County</b>	<b>Amount Adesa Received from Surplus Auction</b>	<b>% of Gross Sales Adesa Received</b>
2009	451,705	393,308.47	58,396.53	12%
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%
2014	1,265,850	1,162,817.50	103,032.50	8%
2015	1,953,895	1,805,719.30	117,233.70	6%
2016	923,720	851,228.30 <sup>3</sup>	55,423.20	6%

<sup>3</sup>There was a significant decline in the proceeds remitted to DeKalb County for the 2016 Surplus auction over prior years; the reduction is due largely to the marked decrease in heavy Duty vehicles presented for sale.



### **Appendix A – Acknowledgements**

We would like to take this opportunity to thank the management and staff of all the participating departments for their assistance during this engagement.

Conducted by:

Clenty Hinton  
Senior Auditor  
Finance Department - Internal Audit Division

Reviewed by:

Cornelia Louis  
Deputy Director of Finance  
Finance Department - Internal Audit Division



## APPENDIX B – DEFINITIONS AND ABBREVIATIONS

### Acronyms and Abbreviation

**Adesa** - Adesa Atlanta, LLC – Adesa Atlanta's auction provides registered dealers, borkers, automobile manufacturers, rental agencies, as well as corporate and government fleets with a complete vehicle marketing solution in Georgia.

**Control Activities** - are the actions established through policies and procedures that help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. They include a wide range of diverse activities, such as approvals, authorizations, verifications, reconciliations, performance reviews, security activities and the production of records and documentation.<sup>4</sup>

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<sup>4</sup> GAO-01-1008G – Internal Control Management and Evaluation Tool, Page 33 and 2015 Committee of Sponsoring Organizations of the Treadway Commission (COSO)





## **APPENDIX C – DISTRIBUTION LIST**

**This report has been distributed to the following individuals:**

DeKalb County Board of Commissioners

Michael Thurmond, Chief Executive Officer

Zachary L. Williams, Chief Operating Officer/ Executive Assistant

Dianne McNabb, Interim Chief Financial Officer/Finance Director

Preston Stephens, Interim Assistant Finance Director

Talisa Clark, Interim Chief Procurement Officer (ICPO)

Vernetha Halls, Administrative Operations Manager