

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of Contracting and Procurement**

Office of the Director



**Government of the District of Columbia's Online Auction Process**

**Overview**

The District of Columbia's central procurement office procures approximately \$2 billion worth of goods and services on behalf of roughly 60 District agencies. As is the case in all governments, these acquisitions eventually reach their end-of-service life and become surplus no longer needed by the District.

As new purchases are made, a significant volume of surplus assets accumulate. Traditional methods used to dispose of these assets—such as on-site physical auctions, negotiated sales, and one-off sales from individual warehouses—were too time and labor intensive and tied up much needed warehouse space for newly declared surplus property. Most importantly, the traditional process resulted in poor inventory record keeping, poor financial record keeping, a fragmented and inefficient sales process, lengthy sales cycle times, and, most importantly (from a public perception point of view) inadequate revenue generation in comparison to fair market value.

Recognizing the potential value of a well-organized and streamlined asset disposition process, the District's Personal Property Division, which is a part of the Office of Contracting and Procurement (OCP), sought help from the private sector to employ commercial best practices to increase the return on the sale of the District's surplus property, and to reduce government expenses in the sale of surplus material. The District needed a solution that included a comprehensive, transparent and accurate inventory and appraisal of its surplus personal property backlog as well as the ongoing disposition of future surplus personal property.

We decided that the best value solution to our problem was to find a contractor who could:

- maximize the revenue available in our surplus property; and
- understand the unique regulatory and control environment of government surplus property.

With assistance from our auction contractor, we developed a comprehensive inventory, appraisal and disposition system for surplus property. Today, that contract has grown to serve the needs of all District agencies. Additionally, given that we are in a dense multi-jurisdictional environment, we believed it to be essential that our contract be worded to allow other local governments to piggyback on it. We added a clause in the contract, which extended this solution to 50 neighboring jurisdictions. Currently, three major jurisdictions are using the District's contract—Fairfax County, Virginia; Washington Suburban Sanitary Commission, and the Metropolitan Washington Airport Authority.

The District's online marketplace ensures that surplus property is sold at higher rates of return than previously experienced by this government. Additionally, our ability to

turn over property more rapidly has increased significantly; thereby freeing up storage space. More specifically, this innovative online auction solution was designed to meet the following goals for the District:

- Provide an efficient web-based solution that improves the overall efficiency of the personal property sales process for agencies and buyers;
- Develop an overall disposition strategy for District surplus property that ensures the maximum financial return to surplus property sales;
- Rapidly develop a comprehensive and accurate accounting of the existing surplus inventory and determine the inventory's fair market value;
- Bring to bear expertise in true market value and most favorable practices; and
- Foster continuous improvement to the District's surplus sales program by leveraging ongoing research and development in asset sales, technologies, strategies and methods.

### **The Solution**

By employing this innovative method of property disposal, the District significantly reduced the cost of surplus disposition; enhanced the recovery value; decreased the sales cycle time; and provided transparency and detailed reporting throughout the entire process. This strategy has proven to be very successful.

After selecting our auction partner (a company called LSI, Inc. that specializes in government surplus sales), we worked diligently to address our needs in the areas of inspection, valuation and reporting of surplus property. We developed inventory control procedures, trained District staff to support the ongoing activities related to surplus property disposal and ensured overall quality assurance.

We developed and implemented a communications plan to attract, educate and acquire both District agency sellers and external stakeholders. With the help of our auction partner, we utilized an extensive database of over 615,000 professional buyers, traditional mail, online advertising, newspaper advertising and commercial publications to ensure a deep and competitive marketplace for all asset categories. Additionally, we developed tools to manage the integration and data uploads to support the inventory accuracy and timeliness.

### **Results**

During the period from December 2006 to May 2007, the District has sold 29,727 items through its online auction process, generating \$3,843,517 in revenue, representing a net recovery increase of 468% over traditional disposition channels. Specifically, by comparing the quantity of items sold through the online auction process to the old methodology for the last 18 months, the District has realized the cost savings specified below:

- Using a live auctioneer, the District paid an average auction cost of 39% of sale value equal to \$412,620 (including advertising) and gained gross revenue of \$1,058,000; and
- For the same quantity of items and using the new online auction process, the District paid an average auction cost of 4.3% of sale value equal to \$176,430 (including advertising) and gained a gross revenue of \$3,843,517.

At the same time we generated great increases in revenue from surplus sales, we saved significantly on our sales costs. We recognized cost savings of \$236,190 or 234% over traditional sales channels and increased its net revenue by \$2,785,517.00 or 263%. Today, we work with all District agencies and have increased annual inventory from 3.5 to 7.1 turns annually. We have essentially doubled throughput and reduced storage space.

The cash flow from the sale of the District's surplus assets is deposited directly back into the treasury and re-allocated to departments and programs within the government. The additional revenue enables the District to more effectively address and meet the expectations of taxpayers.

### **Summary**

As a result of our contract with LSI, Inc., we have generated real value in the form of greater revenue from the sale of surplus property; experienced substantial reductions in the cost of storing and selling surplus property; and renewed trust in the value of our property disposal program. This innovative and replicable solution has brought great credit to the contracting office of the District government.