State of Ohio

Department of Administrative Services
Office of Procurement Services

2019 George Cronin
Awards for Procurement Excellence

Surplus Program Automation

.

Executive Summary

The Ohio State and Federal Surplus Services ("Surplus") program's mission is "to provide government entities guidance for properly disposing state assets and reducing State spending by facilitating recycling and reuse of excess supplies." Property declared as surplus is made available to state agencies and government entities ("Surplus Members") for transfer, donation, or purchase at minimal cost. Any remaining property is sold at public auction.

Surplus generates an average of $2.7 million in sales annually, utilizing a 44,000 square foot warehouse and a 119,000 square foot parking lot for vehicle auctions. Surplus items sold annually are 2,300 lots of warehouse items, more than 1,000 vehicles and 700 on-line items. The Surplus manager and a staff of 5 operates the facility.

Surplus recently examined their program and determined improvements could be made. They focused on four main areas:

- Increase program awareness and membership participation;
- Publish an online surplus inventory for members to search for needed items;
- Initiate and facilitate agency transfers and donations; and,
- Utilize online auctioning to assist in the disposal of heavy equipment, specialty items or items that would not be cost effective to deliver to Surplus.

As a result, the Surplus team redesigned several core business practices and developed a comprehensive system to manage customer information and inventory. Key improvements include the redesign and development of an online membership application and "turn-in documents" that generate real-time inventory.

Innovation

During an internal audit the Surplus team was asked "How do you know what inventory is in the warehouse?" This seems like a simple enough question to answer, but it wasn't at the time! In order to discover if an item was in the warehouse, Surplus staff had to manually sort through 45-60 days' worth of paperwork from many different agencies and hope they could find the item, or staff would walk through the 44,000 square foot warehouse in search of the elusive desired item. Neither method was an efficient use of time or resources. There had to be a better way to manage inventory.

Processing and approving membership applications was also a manual and time-consuming task. Applicants submitted hard copy applications via USPS or hand delivery. Once the application arrived in Surplus, a staff member reviewed the application packet and determined if all the required information was included. If it was, the application was approved. If not, the applicant was notified via email of the missing documentation and the file sat on a shelf until the additional information was received. Once again, not efficient use of time or resources.

Internal continuous improvement reviews lead the Surplus team to develop a more efficient and effective process for locating specific items in the warehouse at any given point in time. The existing 45 to 60-day paper review process was too manual and allowed for potential errors and misinformation. A solution to streamline, reduce paper, and automate would provide better accountability, document management and disposal methods.

Surplus redesigned several core business practices and implemented the use of SalesForce software to manage customer information and inventory. Surplus named the new system the Inventory Control and Sales System ("ICSS"). ICSS contains customer and inventory information, allowing users to easily access and utilize the information for a variety of tasks, such as tracking inventory. It also provides one system to collect and store all pertinent data that interfaces with the Ohio Administrative Knowledge System (OAKS), which is used to manage the state's finances and assets.

A key improvement in the redesign and development of ICSS is the use of "turn-in documents" that generate real-time inventory. Prior to ICSS, a manual paper process existed. A paper turn in document form was created by Surplus for agencies to complete and submit listing the items they intended to dispose of and remove from their asset inventory. The document identified the agency representative responsible for submission, the asset being disposed, the quantity and condition of the asset, and the requested disposal method. Surplus reviewed the form and determined if the agency may proceed with the requested disposal method or recommended other potential methods to them.

Inventory records are now created in ICSS when electronic "turn-in documents" are submitted via the online portal. Surplus reviews them and authorizes disposal methods for the items listed on the document. The submitting agency is instructed to dispose of the items locally or bring them to the Surplus warehouse. Once disposal or delivery has occurred, the turn in document is completed and approved. The items delivered on the turn in document become part of Surplus' real-time inventory and are maintained by Surplus. Items in the current warehouse inventory are available for viewing on the Surplus website. Once an item is sold, transferred or donated it is automatically removed from the available inventory.

To participate in the Surplus program, public entities, such as schools, municipal corporations, private fire companies, private non-profit emergency medical services organizations and nonprofits, are required to complete and submit a membership application, available through the Surplus portal. The approved membership application allows for system utilization, identifies the applicants purpose and maintains required federal budget summary information. It also identifies individuals authorized to make purchases on behalf of the entity. Completion and approval of the application prompts the creation of a customer account in ICSS. Once a customer account is setup within the system, purchases may be made from current inventory and invoices are generated.

Surplus also executed a contract with GovDeals, to conduct online auctions of select surplus property. Online auctions typically generate a positive return on investment ("ROI") for construction equipment and specialty items (e.g., industrial kitchen equipment, antiques, industrial printers, heavy equipment, dredges, cranes, and others). This includes items that cannot be transported to Surplus. The online auctioning partnership has generated approximately $1 million in sales for 1,041 assets sold since implementation over a year ago. Previously many of those items were disposed of as trash or recycled for less revenue.

Transferability

SalesForce is a standalone software system that can be customized as an add-on module or interfacing program depending upon existing agency software. Ongoing maintenance and licensing costs should be evaluated when considering the use of SalesForce. Online auctioning can be conducted by other states and customized to meet their needs.

Essentially everything begins with the "turn in document". A successful warehouse operation will have a process to document and identify incoming items. The Salesforce solution enables automation of this document and process. When the item leaves the warehouse, the document is closed out. The processes, procedures, and programs discussed and used by Surplus can be customized to fit any size and type of surplus operation allowing the capability to provide streamlined services with excellent data gathering and tracking capabilities. Additionally, there are professional auction companies that can be contracted who will aid in obtaining the highest value possible when auctioning surplus items online.

Service Improvement

Customer service has greatly improved since implementing ICSS. Electronic turn-in documents are approved within minutes versus days and customers can view current inventories as they are received in the warehouse. With this automation, data is instantly available for reporting current and historical information. Accurate, real-time inventory information allows customers and Surplus staff to easily locate items to meet entity needs, leading to increased sales, transfers or donations. Agencies have said they are pleased with the ease of completing and submitting the online turn in document. Several agency asset managers have commented that they like how the system notifies them of their submission then notifies them again once the document is approved by Surplus. Additionally, end users have noted they appreciate receiving the electronic documents for their records.

Surplus uses ICSS to analyze and determine which disposal method will provide the maximum value, as well as sale price comparison of similar items sold at live or online auctions. The objective is to develop a repeatable practice of evaluating and identifying the most appropriate disposal methods for State assets.

Online auctions also save agencies time and money by eliminating the need to transport items to the Surplus warehouse. The online supplier works with the agency to gather photos and information about items for posting, and ultimately bidding. Once the item is sold, the supplier collects the proceeds, creates a bill of sales and submits payment to Surplus.

The improved customer application allows Surplus to easily verify member eligibility, authorized purchasers, and provides a system to identify expired memberships within a given timeframe. Surplus staff can contact current entities for renewals, and potential new customers to increase membership numbers leading to increased awareness of the program and potential sales.

Cost Reduction

The online auctioning partnership has generated over $1 million in sales since implementation. GovDeals recently presented Surplus with a certificate of achievement stating they were the first customer to reach the $1 million sales mark in less than 2 years. Previously many of the items auctioned online would have been disposed of as trash or recycled for less revenue. Live auctions continue to be the main source of revenue, but online auctions have increased revenue for specialty items, and reduced the amount of trash going to landfills. Additionally, transfers and donations through Surplus has saved entities money and generated revenue when previously those items may have been disposed of as trash.

Processing online applications saves administrative time, eliminates paper, and provides opportunities for open communication with customers. The improved application process

shortens the time for application approval from days to hours. This allows customers to make purchases faster, as opposed to waiting for a lengthy approval process and potentially miss out on an item they wanted to purchase.

The chart below shows the breakdown of surplus sales in FY18 and FY19. Membership sales increased due to improved communications and a more effective and efficient automated inventory system. Warehouse auction sales have increased due to the benefits of ICSS, such as inventory logistics and the identification of more items available for auction. The third category indicates that the addition of GovDeals performing online auctions sales has nearly doubled sales within one year.
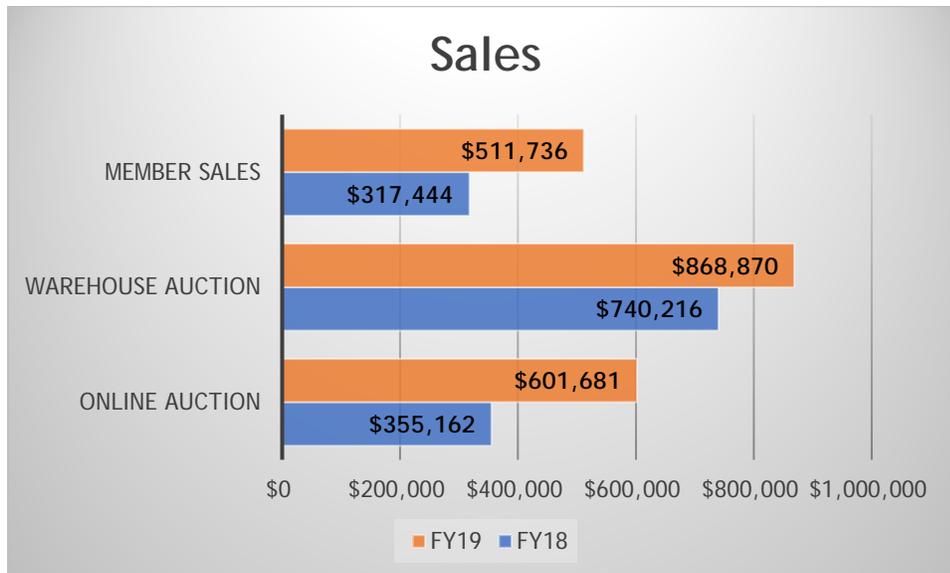
Conclusion

Utilizing the automated approaches of Salesforce and Gov Deals, and incorporating process improvement techniques, the business of State and Federal surplus asset management was transformed in Ohio. The ICSS was developed providing more efficient and effective management of surplus items, ease of program utilization for customers, and increased revenue. The addition of an effective on-line auction system offers another option for construction equipment, and specialty items, generating sales which in many cases would have previously been disposed of as trash. Initial results are increased sales, increased Surplus memberships, improved communications, much shorter lead times, and increased customer satisfaction; not to mention Surplus management efficiencies, warehouse process improvements, and real-time inventory and data reporting. As the Surplus team conducts continuous process improvement, the expectation is more and greater administrative and dollar savings in the future.