



Surplus Property:

Increase guidance to align with organizational values

July 2022

A Report by the Office of the Auditor

Brian Evans

Metro Auditor

Nicole Pexton

Senior Management Auditor

Rosalie Roberts

Senior Management Auditor



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Brian Evans

Metro Auditor

600 NE Grand Ave

Portland, OR 97232-2736

TEL 503 797 1892, FAX 503 797 1831

MEMORANDUM

July 27, 2022

To: Lynn Peterson, Council President
Shirley Craddick, Councilor, District 1
Christine Lewis, Councilor, District 2
Gerritt Rosenthal, Councilor, District 3
Juan Carlos González, Councilor, District 4
Mary Nolan, Councilor, District 5
Duncan Hwang, Councilor, District 6

From: Brian Evans, Metro Auditor

Re: Audit of Surplus Property

This report covers the audit of surplus property. The purpose of the audit was to determine how Metro could clarify surplus property policies and procedures to promote its values of efficiency, ethical conduct, and environmental sustainability. The audit evaluated how well surplus property policies, roles, and responsibilities aligned with organizational values. It included leading practices to promote internal reuse, prevent surplus property accumulation and promote efficient disposal.

The audit found the policy no longer aligned with operations and it had not been updated to incorporate practices aligned with Metro's values. In the absence of up-to-date policy and procedures, departments made their own judgments regarding which organizational values to prioritize. Not having clear priorities could lead to missed opportunities to recover value from Metro property, make best use of employee time, or reduce waste.

We have discussed our findings and recommendations with Marissa Madrigal, COO; Andrew Scott, Deputy COO; Steve Faulstick, General Manager of Visitor Venues; Ryan Kinsella, Capital Asset Management Director; John Lindenthal, Construction Project Management Program Director; and Rory Greenfield, Campus Operations Program Manager. I would like to acknowledge and thank all of the employees who assisted us in completing this audit.

Summary

This audit was conducted to evaluate the need for an updated surplus property policy since the existing one was over 25 years old. Surplus property is defined as property that no longer has useful value to the department that purchased it. Some of that property that no longer has useful value may still have a useful life and can be sold, internally reused, or donated.

We found the policy no longer aligned with operations and it had not been updated to incorporate practices aligned with Metro's values. Appropriate disposal of surplus property involves balancing three values:

- Efficiency: minimizing costs associated with selling or disposing of surplus property
- Ethics: preventing employees from acquiring or benefiting from surplus property for personal gain
- Environmental Sustainability: reducing waste and reducing carbon emissions

In the absence of up-to-date policy and procedures, we found departments made their own judgments regarding which organizational values to prioritize. This audit focused on items with little or unknown market value because the balance among values required potential trade-offs. We found procedures were clearer for capital assets, such as vehicles.

We found four areas that would benefit from revisions:

1. There was a need to establish clearer roles and responsibilities.
2. Additional guidance and criteria was necessary to help employees choose whether to sell, donate, or recycle items.
3. Expectations for ethical conduct could be documented more clearly.
4. Metro could clarify which values should be prioritized.

Environmental sustainability is easier to promote by limiting purchases and encouraging reuse. Efficiency is most important at disposal to minimize the amount of staff time used to dispose of them. Ensuring compliance with Oregon ethics law is also most important during disposal.

Attention to the following areas can help the agency balance its values:

- Strategies to manage the most challenging types of surplus property
- Strategies to reduce property that contains environmentally harmful materials
- Strategies to build on existing reuse and waste prevention practices

The audit included five recommendations to better promote Metro's values, increase agency-wide coordination, and revise surplus property policy and practices.

Background

A 1996 executive order (E.O. 65) governs the disposal of surplus property at Metro. Surplus property is defined as property that no longer has useful value to the department that purchased it. Some of that property that no longer has useful value may still have a useful life and can be sold, internally reused, or donated.

The procedures outlined in E.O. 65 describe different methods for disposing of surplus property depending on its estimated dollar value:

- **Greater than \$0:** Public sale or sale/donation to another government/nonprofit
- **\$0:** Discard or recycle, donate to another government/nonprofit, or give to any interested party who agrees to promptly reuse/recycle it

The Property Services Manager has the authority to determine the appropriate disposal method or they can delegate their authority to directors at other sites or departments if the surplus property was not physically located at the Metro Regional Center (MRC). During the audit, the MRC Campus Operations team within Capital Asset Management was the organizational unit tasked with making disposal decisions at MRC. At other sites, those decisions appeared to have been delegated to other parts of the organization. Finance and Regulatory Services oversaw accounting for any items sold, and the Office of Metro Attorney was consulted if legal questions arose about the appropriate method of disposal.

During the audit, we learned that some departments worked from multiple sites. For example, Parks and Nature was based at MRC, but it also conducted work at a field station and some parks. We observed during our site visit that MRC was home to most of Metro’s internal services and operating departments other than the visitor venues like the Oregon Zoo, Oregon Convention Center, Portland Expo Center and P’5 Centers for the Arts.

Exhibit 1 Location of Metro’s Departments and Venues

More than one site	Metro Regional Center
<ul style="list-style-type: none"> • Oregon Convention Center • Oregon Zoo • Parks and Nature* • Portland’5 Centers for the Arts • Portland Expo Center • Waste Prevention and Environmental Services* 	<ul style="list-style-type: none"> • Capital Asset Management • Communications • Council Office and Office of the Chief Operating Officer • Finance and Regulatory Services • Human Resources • Information Services • Office of Metro Attorney • Office of the Metro Auditor • Planning, Development, and Research

*Also has staff located in the Metro Regional Center

Source: Auditor’s Office analysis based on Metro’s internal website (Metronet) and department/venue location list

This audit was conducted to evaluate the need for an updated surplus property policy since the existing one was over 25 years old. Prior to COVID-19, Metro was planning a building-wide remodel of MRC. Campus Operations staff deconstructed workspaces to complete the MRC remodel. During the pandemic, plans for the remodel were changed to better accommodate the shift to telework. As a result, Metro opted to establish hoteling-style workspaces instead of assigning personal cubicles and offices. This meant Campus Operations staff had to dispose of large quantities of furniture and supplies that had accumulated over many years. In response to Campus Operations communication, several departments picked up some furniture for reuse.

When the MRC was closed to reduce health and safety risks related to COVID-19, employees did not remove all personal belongings. Campus Operations employees cleaned out workspaces, which meant moving personal property to a central location and disposing of perishables. Some of that property was claimed, but a significant quantity was left at MRC. In addition to cleaning out personal property, the campus operation team discovered and organized surplus property like office supplies that had accumulated in various work stations over time.

Exhibit 2 Surplus property was stored in the parking garage during the MRC remodel



Source: Auditor's Office photograph (July 23, 2021)

Results

Metro's organizational values of environmental sustainability, ethical conduct, and efficient operation establish a basis to analyze the policy and procedures for surplus property. E.O. 65 established a foundation for considering surplus property systematically, however the policy no longer aligned with operations and it had not been updated to incorporate practices aligned with Metro's values. We found that these misalignments led to inconsistent implementation of the organization's values.

We found procedures were clearer for capital assets, such as vehicles. We were informed that surplus capital assets were sold on a website dedicated to auctions for public property. Selling surplus property through an auction website balanced efficiency and environmental sustainability; since the items did not go to the waste stream, the process of selling them was not often considered time intensive, and Metro recuperated some expenses through sale. Metro was able to recover value for the sold items and prevent them from entering the waste stream while meeting ethical requirements.

For items with little or unknown market value, the balance among values required potential trade-offs. For example, if Metro spent significant staff time to donate all surplus property, it would be environmentally sustainable but not efficient. Giving surplus property away to employees without advertising to the public could be efficient but not ethical since public employees are not supposed to gain from their positions. Recycling or throwing away all surplus could be efficient but not environmentally sustainable.

Revise surplus property policies to clarify organizational values

This audit focused on items with little or unknown market value since we heard they were challenging to dispose of in a way that met Metro's organizational values. Appropriate disposal of surplus property involves balancing three values:

- Efficiency: minimizing costs associated with selling or disposing of surplus property
- Ethics: preventing employees from acquiring or benefiting from surplus property for personal gain
- Environmental Sustainability: reducing waste and reducing carbon emissions

Metro developed the values of environmental sustainability and efficiency more thoroughly after E.O. 65 was written. Ethical requirements come from state laws for public officials. Goals to reduce waste and carbon emissions come from Metro's Sustainability Plan and Sustainable Procurement Policy.

Reducing waste sent to the landfill is one of Metro's environmental sustainability goals. Another goal is to reduce carbon emissions associated with the production, use, and disposal of items Metro purchases.

Metro's waste reduction and carbon reduction goals can be illustrated using a waste hierarchy that prioritizes prevention, reuse, and recycling. According to the Environmental Protection Agency and Oregon Department of Environmental Quality (DEQ) as well as Metro's Sustainable Procurement

Administrative Rules, prevention and reuse are the preferred methods of waste management. Reusing or donating products can reduce greenhouse gas emissions, conserve energy, and reduce pollution.

Exhibit 3 Prevention and reuse provide the best environmental benefits



Source: Auditor's Office adaptation of Environmental Protection Agency model

To learn more about implementation of organizational values, we interviewed staff involved in surplus property from three departments. These departments were among those that had spent the most on materials and supplies in recent years. In the absence of up-to-date policy and procedures, we found departments made their own judgments regarding which organizational values to prioritize.

All three departments agreed that efficiency and environmental sustainability were important values. However, they prioritized them differently. For example, we heard that one department tried to sell as much as possible, and recycled or threw away what could not be sold. This indicated efficiency was a priority. We heard that another department spent staff time on donating items to prevent them from entering the waste stream, which indicated that environmental sustainability was a priority. Not having clear priorities could lead to missed opportunities to recover value from Metro property, make best use of employee time, or reduce waste.

Revising surplus property policy and procedures could help clarify how employees should implement Metro's organizational values related to surplus property that has little or unknown monetary value. We found four areas that would benefit from revisions:

1. Roles and responsibilities
2. Disposal guidance
3. Ethical expectations
4. Prioritizing values

First, there was a need to establish clearer roles and responsibilities. The current policy does not specify which roles were authorized to make surplus property decisions within each department. Clarifying who has the authority to determine the value of surplus property and the appropriate method of disposal was important to increase consistency and develop expertise to inform decisions.

Responsibilities were also not clearly assigned for several Metro departments. Assigning responsibilities to discrete organizational units, such as departments, can help government organizations achieve their objectives. There are three potential responsibilities related to surplus property:

- **Disposal:** making decisions about the value of surplus property and the appropriate method of disposal
- **Reuse:** communication and coordination to determine if it's possible to transfer surplus property to another part of the agency that may have use for it
- **Prevention:** making purchasing decisions based on the full life-cycle of the item with a goal of minimizing surplus property overall

Current policy formally assigned responsibility for disposal and reuse to one position at the MRC. Responsibilities for prevention were not formally assigned. We attempted to identify who had been involved in making decisions about surplus property disposal, reuse, and prevention for the departments in our sample. For some departments, we had to speak with multiple individuals before determining who was involved. This indicated responsibilities were not clearly assigned.

To clearly establish roles and responsibilities for disposal and reuse, it could be helpful to determine whether a centralized or decentralized model for handling surplus property is most appropriate in Metro's current operating environment. We found a mix of both models was occurring. In policy, authority for decision-making was centralized in one position at the MRC, although that position could delegate authority to department directors. However, in practice some departments were making their own surplus property decisions without coordinating with MRC.

Each option has potential advantages and disadvantages. Centralizing responsibility for surplus property has the advantage of providing a single point of contact when people have questions about disposal. This role could bring in subject matter experts in environmental sustainability, finance, or procurement when necessary. A centralized model may also result in more consistent implementation of policy and procedure.

However, Metro has multiple lines of business with differing needs. This makes it challenging for one position to coordinate surplus property decisions across all Metro departments. It would also be challenging for one position to know what is available for reuse across all Metro departments.

Exhibit 4 Metro can choose the decision making model that best matches its needs

	Centralized	Decentralized
Decisions are consistent with policies and procedures	●	⌚
Decisions are responsive to department-specific business needs	⌚	●
Ability to coordinate with subject matter experts	●	⌚
Ability to coordinate reuse	⌚	●

Key: ● = more likely ⌚ = less likely

Source: Auditor’s Office analysis of policies and interviews

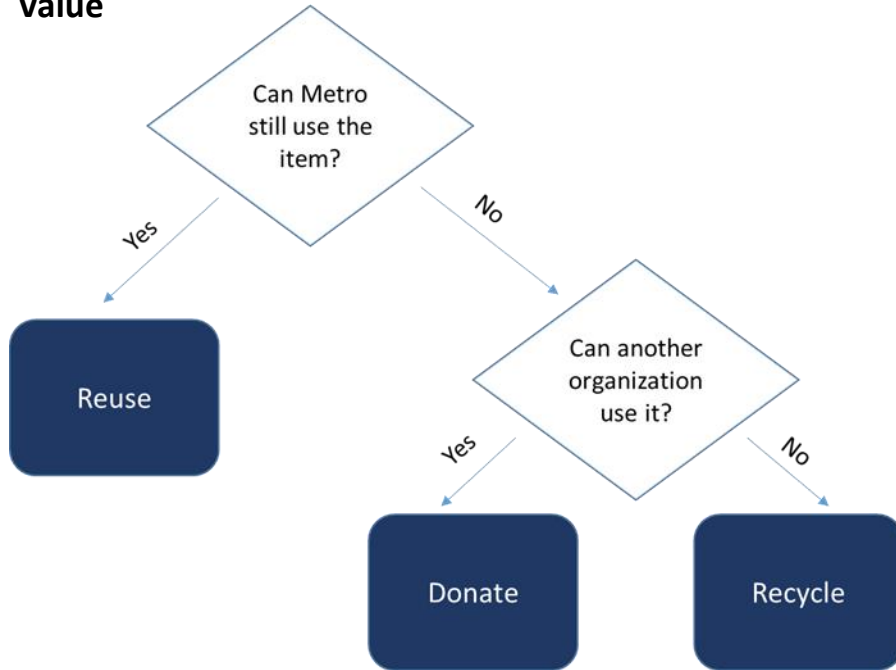
A decentralized model could be more efficient and responsive to needs at different sites. We were informed the storage capacity, type of property, and volume of material varied among departments. As a result, having department-specific knowledge in the decision-making process could help right-size the disposal process. A decentralized model may also help facilitate reuse. Knowing who to coordinate with in each department could promote more reuse. However, in a decentralized model, it may be more likely for departments to choose disposal options that do not align with Metro’s policies and procedures.

Second, we found guidance was necessary to help employees choose whether to sell, donate, or recycle items. Setting clear criteria could help determine the monetary value of surplus property and the associated strategy for disposal. For some items, the potential value gained from selling an item is not worth the staff time to coordinate it. Spending significant staff time trying to donate items may not be an efficient or effective way to prevent items from entering the waste stream.

These potential tradeoffs are why additional guidance would be helpful to ensure employees are considering the same set of criteria each time a disposal question arises. For example, a criterion could establish monetary threshold for selling items at online auctions. Similarly, using default monetary estimates for employee time could help decision-makers evaluate all costs and benefits systematically. Setting thresholds can help staff determine when the proceeds from a potential sale are worth the time and other resources to coordinate it.

For property with limited or unknown market value, guidance could outline a series of steps to take to align with Metro’s organizational values as well. For example, the State of Oregon’s surplus property program has a set of steps to follow for property that is worth less than \$250. Metro could establish a similar set of prioritized steps that emphasize internal reuse, provide a list of pre-approved organizations to streamline donations, and direct staff to recycle or dispose of any items that do not meet the threshold.

Exhibit 5 Guidance could ease decision making for items with limited value



Source: Auditor’s Office interpretation of Oregon Department of Administrative Services guidance

Third, we found that expectations for ethical conduct could be documented more clearly. According to Oregon ethics law, public officials cannot personally benefit from their positions. Metro has interpreted this to mean that employees cannot take surplus property for personal use unless it has also been made available to the public. However, this interpretation was not documented in policy, which increased the risk that departments would be unaware of it.

Clearly documenting expectations could prevent potential ethics violations. For example, establishing criteria for the amount of time required to ensure sufficient notice to the public would provide a stronger safeguard. In recent years, Metro has made some surplus materials available to employees and the public. Ensuring these opportunities are widely known outside of Metro could help employees find the right balance between the three organizational values.

Fourth, we found that Metro could clarify which values should be prioritized through purchasing or disposal. Environmental sustainability is easier to

Additional guidance could improve disposal and reuse

promote by limiting purchases and encouraging reuse. Efficiency is most important at disposal when Metro can recover value from selling items or minimize the amount of staff time used to dispose of them. Ensuring compliance with Oregon ethics law is also most important during disposal.

As Metro considers updates to its policy and procedures it will be important to provide guidance for the employees involved in managing surplus property. Attention to the following areas can help the agency balance organizational values:

- Strategies to manage the most challenging types of surplus property
- Strategies to reduce property that contains environmentally harmful materials
- Strategies to build on existing reuse and waste prevention practices

During the audit we learned that some types of property created more challenges than others and there was no specific guidance related to those challenges. Furniture and large specialty equipment seemed to cause challenges.

Furniture was challenging to dispose of because there was low demand for it. When furniture was not internally re-used, there was a cost for disposal which meant it required effort to identify eligible nonprofits that would accept it, or it required additional resources to deconstruct it for recycling. It sometimes required time or cost to transport and was difficult to move and store.

In addition, furniture might contain wood, composite wood, plastic, metal, or glass. Wood in furniture contains materials that cannot be recycled with wood waste, per Metro's definitions. During interviews we learned that metal furniture can often be scrapped easily, but if it is not 100% metal, it has to be deconstructed. Within the last five years, Metro paid third-party contractors to recycle as a way to minimize the amount of material sent to the landfill. Even with efforts to recycle as much as possible, not all of the materials were recyclable.

During interviews we learned that disposal challenges can vary depending on things like timing, quantity, business processes, and other factors that may not be in Metro's direct control. For example, when we talked to an employee who manages the state of Oregon's surplus property program we learned that they were dealing with an abundance of surplus furniture just like Metro. They stopped accepting some furniture as a result and were giving away some furniture. If circumstances were different, Metro may have been able to partner with them to reuse surplus furniture across government jurisdictions.

Large specialty equipment can be challenging based on its size and unknown market value. Based on interviews, certain specialty equipment contains toxics that may need to be removed prior to resale, recycling, or disposal.

One example of large specialty equipment was the conveyer system at Metro Central solid waste transfer station that was purchased to sort recycling. The conveyer would probably have to be removed using equipment like a jackhammer and torches. We learned that finding a buyer that would assume the cost and risk of removing it was challenging.

Recuperating cost and deconstruction were concerns we heard about large specialty equipment. If it is primarily metal, it could have value as scrap metal, but in the case of the conveyer system, its size and required deconstruction were anticipated to result in additional disposal costs.

Some materials make recycling and disposal more challenging

Analyzing the material contents of products could be another way to help employees make disposal and purchasing decisions. Metro tracked materials as part of site-specific waste reports; statewide material tracking is also used to analyze recovery rates across the state by Oregon’s DEQ. The most challenging material type in surplus property is plastic because it sometimes contains toxics and has very low recovery rates.

The factors that make materials challenging can be used to anticipate the relative complexity of surplus property disposal for staff. Additional guidance related to these factors can help clarify how to balance environmental sustainability and efficiency considerations. Below are some of the factors that may make certain materials more challenging to dispose.

Exhibit 6 Environmental sustainability and efficiency effects of challenging material types

	Environmental sustainability considerations: waste stream, carbon emissions, toxics	Efficiency considerations: time and cost
Low Recovery Rate	✓	✓
Requires transportation time or expense	✓	✓
No market value as property or as material scrap	✓	✓
Contains toxics	✓	✓
Requires deconstruction	-	✓

Source: Auditor’s Office analysis based on Metro Sustainability Plan, Survey Interviews, DEQ and EPA Reports, and Metro Toxics Inventory

Below is a potential model that uses criteria based on Metro’s values to consider material types. This model could help staff assess materials and their associated challenges. Consideration of the materials used to make Metro property is likely to be most effective at the time of purchase.

Ideally, employees would prevent challenging materials from ever becoming surplus property by not purchasing them in the first place. When that is not possible, the following framework could be used to help employees balance environmental sustainability and efficiency considerations. The rating system could be used to evaluate single items or a group of similar surplus property to help anticipate challenges and associated tradeoffs between Metro's values. To use the tool on items that contain mixed materials, use the ranking of the material with the highest number of challenges.

Exhibit 7 Example of a tool to assess surplus property challenges based on the materials they contain

Criteria to Evaluate Challenges	Plastic	Electronic Waste	Wood	Metal
Transport	●	●	●	●
Toxics	●	●	●	●
Low Recovery rate	●	-	●	-
Requires deconstruction	-	●	-	●

Source: EPA materials recycling report, Interviews, Metro Toxics Inventory, Auditor's Office analysis, DEQ, Department of Commerce report, and Metro's Wood Acceptance Guidelines

To demonstrate how the tool could be used, we created two case studies. The first case study was a plastic rolling desk chair with synthetic fabric. This type of property would be challenging for disposal.

Based on material contents, these chairs contain mostly materials with very low recovery rates. They may also contain toxic materials such as polyvinyl chloride (PVC). Even if the chairs contained metal, they would have to be deconstructed for metal components to be recycled, which is time-intensive. If the chairs were still usable, they may not have value in resale markets. In light of that, they might require more time to donate them and could require additional resources for transportation.

Ideally, there would be other types of chairs that would be less environmental harmful to send to the landfill when they reach the end of their useful life at Metro. Considering these potential effects at the time of purchase could help employees balance between efficiency and environmental sustainability when it comes time to discontinue use of the chairs.

The second case study we analyzed using the materials model was plastic three-ring binders. We determined these binders could present challenges when they reach the end of their useful lives.

Although individual three-ring binders are lightweight and small, they contain primarily plastic which has a low recovery rate. They have no market value as scrap so they may not have value for sale or even donation. They

could be disassembled to recycle some components, but that would be more time-intensive than throwing them away.

The quantity of binders would be especially relevant in this case. If there was only one binder, it may be easier to balance environmental sustainability and efficiency, but if there were 200, they may pose greater challenges. Also, even if donation was an option, donating in high volume might require that staff spend time finding and contacting multiple qualified organizations. This shows how efficiency and environmental sustainability can be in conflict depending on a number of different factors.

These case studies show that if material types are known to be problematic, considering challenging materials at the time of purchase could reduce surplus property challenges later on and it could help staff navigate challenges once an item has been declared surplus. Once these challenging material types become surplus property, and were not re-used internally, they intensify the conflict between environmental sustainability and efficient operations.

Using criteria similar to Exhibit 7 or otherwise adapting existing guidance from Metro's Sustainable Procurement Policy could function as an analytical tool to help decision-makers more consistently consider environmental sustainability and efficiency when purchasing new things that may eventually become surplus property. This framework could also demonstrate how valuable an internal reuse system may be in balancing Metro's values of environmental sustainability and efficiency.

Expand promising practices to improve reuse and waste prevention

One way to minimize disposal of challenging material types is to prioritize reusing them first. We found Metro did not consistently prioritize reuse and there were not effective procedures in place for reusing surplus property. This meant there were missed opportunities to reuse some items. Our analysis focused on surplus furniture since we heard that it is difficult to dispose of sustainably.

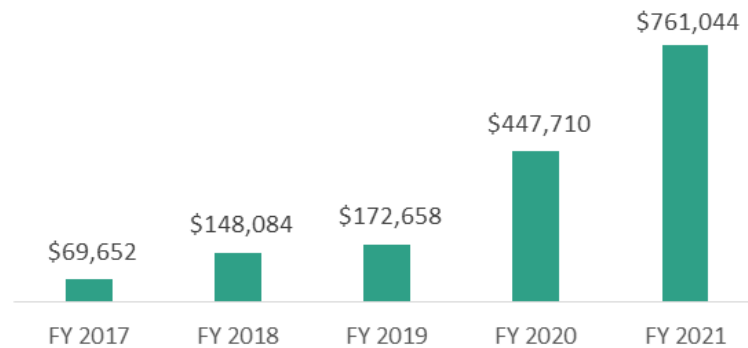
Surplus furniture resulted from renovations to upgrade the MRC, based on a master plan designed to extend the building's life for 20 years. These renovations were also intended to create space for additional employees. In May 2018, Metro issued \$13.3 million in full faith and credit bonds, which included funding for:

- Building system improvements (such the roof, heating and air conditioning system, and elevators)
- Accessibility improvements to kitchens and bathrooms
- New furniture, carpet, and lighting

Metro purchased new furniture to foster a welcoming, comfortable work environment. We estimated that at least \$1.6 million was spent on MRC furniture from fiscal years 2017-2021. Most of these purchases occurred after the bond was issued, and some may have been the result of Metro adapting its plans to implement the hoteling model.

As new furniture came in, some older furniture was moved to an underground garage. Some furniture was shared with other departments and donated to local nonprofits, but a significant amount remained.

Exhibit 8 Recent purchases of new MRC furniture resulted in surplus



Source: Auditor's Office estimate based on analysis of Metro financial data

Furniture remained in part because Metro lacked policies and procedures to promote an effective reuse system. The three departments we interviewed did not frequently hear about surplus property available for reuse, nor did they offer it to others. In addition, there was not a central inventory of surplus property available for reuse that all Metro departments could access. When departments did hear about surplus property, it was usually through informal communication, such as emails or one-on-one conversations. Finally, it was not clear who was responsible for coordinating reuse. In some departments, facility managers coordinated reuse. In others, recent turnover made it difficult to identify who to contact.

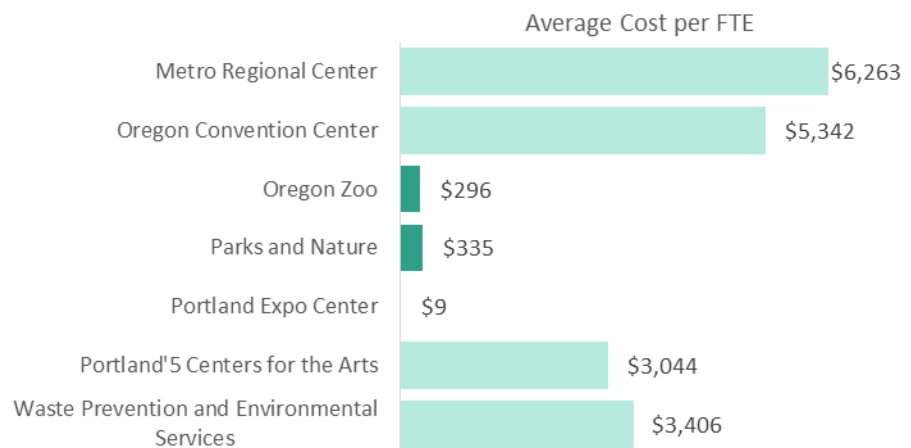
Not having an effective reuse system meant that Metro may have paid to dispose of furniture that could have been reused in other departments. Metro paid a vendor to dispose of the surplus furniture, which included recycling and donating some materials. For example, we identified nine invoices for surplus furniture disposal from 2018-2021, for a total cost of \$67,510. At least 1,000 pieces of furniture were disposed of, including cubicle wall panels, desks, chairs, file cabinets, overhead storage, and bookcases.

To identify whether that furniture could have been reused, we calculated average furniture expenditures per full-time equivalent employee (FTE) across all Metro departments. Departments that had spent less per FTE might have benefitted from reusing surplus furniture. From FY 2017-2021, Metro spent an overall average of \$3,295 per FTE on furniture.

We identified three departments that may have benefitted from surplus furniture. Based on our estimate, the Oregon Zoo, Parks and Nature, and the Portland Expo Center spent less than \$500 per FTE on furniture.

There were multiple possible explanations for why these departments spent less. For example, the Oregon Zoo completed bond-funded projects prior to this timeline, which may have reduced the need for additional furniture purchases. Some Parks and Nature employees were located at the MRC, which may have reduced the need for department-specific furniture purchases. These departments may also have less need for office furniture due to the nature of their business. However, we heard that furniture disposed of at the MRC was higher quality than what was at one of these departments. Reusing surplus would be a more efficient use of public resources and prevent usable items from entering the waste stream.






Exhibit 9 Three departments could have benefitted from reuse of surplus furniture



Source: Auditor's Office estimate based on analysis of Metro financial data

To identify ways to make a more effective system, we researched how other jurisdictions reused surplus property. We found several promising practices Metro could adopt. Those practices included having a policy that prioritizes surplus property reuse, limiting procurement options to increase reusability, and maintaining an online inventory of property available for reuse.

Exhibit 10 Promising reuse practices from other jurisdictions

Promising practice	Description
Policy 	<ul style="list-style-type: none"> • A surplus property policy that prioritizes reuse
Central location 	<ul style="list-style-type: none"> • Centralized location or pickup of surplus property
Inventory 	<ul style="list-style-type: none"> • Maintaining a web-based list of surplus property available for reuse
Strategic procurement 	<ul style="list-style-type: none"> • Limiting vendors or types of property purchased to facilitate reuse • Choosing vendors with buyback programs
Tracking 	<ul style="list-style-type: none"> • Tracking the amount of surplus property reused

Source: Auditor's Office analysis of interviews and supporting documents

Implementing some of these practices may help Metro reuse more surplus property. For example, creating a centralized online inventory of surplus property could help Metro departments understand what was available for reuse at other locations. Prioritizing reuse in surplus property policy could also prompt departments to reuse items first before donating or recycling them. E.O. 65 mentions that property can be stored for reuse, but does not list reuse as a priority.

The most sustainable way to address surplus property is to prevent it from accumulating by limiting purchases. Metro recently implemented the Sustainable Office Center, which houses all office supplies for departments operating from MRC. Similar strategies could be effective for other types of surplus property, especially those that are challenging to dispose of.

Exhibit 11 Sustainable Office Center centralized office supply purchases for all MRC departments



Source: Auditor's Office photo of Sustainable Office Center

While cleaning out the building to prepare for the MRC remodel, staff noticed large amounts of surplus office supplies. Departments had purchased their own sets of office supplies, which were stored in multiple places throughout the building.

The Sustainable Office Center was designed as a central location where staff in the MRC can access new and used office and catering supplies. A set of standard supplies is maintained to prevent each department from purchasing their own. Minimizing duplicative purchases can help reduce greenhouse gas emissions and waste. It can also help ensure supplies meet requirements in Metro's sustainable procurement policy.

Implementing a similar model may be useful to prevent surplus property from accumulating. Centralizing procurement for items that are difficult to recycle, like furniture, can help prevent surplus property. For example, one jurisdiction informed us they vetted a limited selection of furniture for purchase. They also informed us they chose a vendor with a buyback program who could take the furniture back when it was no longer needed. Standardizing furniture could also make it easier to reuse.

Finally, Metro can build on existing reports to track progress toward fulfilling environmental sustainability values. Existing environmental sustainability reports already collect data on waste and recycling rates by facility. Some of these reports also include donations. Updating these reports to include data on surplus property disposal could help Metro determine whether efforts to prevent surplus property are successful.

Recommendations

To better promote environmental sustainability, efficiency, and ethics, Capital Asset Management in coordination with Finance and Regulatory Services and operating departments should revise surplus property policy and practices to:

1. Align responsibilities for prevention, reuse, donation, recycling, and disposal
2. Establish surplus property guidelines that:
 - a. Promote environmental sustainability by preventing waste and prioritizing internal reuse
 - b. Promote efficiency by minimizing time and money spent on disposal
 - c. Clarify ethical requirements in alignment with state ethics laws
3. Create criteria for assessing viability of items for internal reuse and an inventory of viable surplus property available for reuse
4. Identify and document how procurement can prevent surplus property (like furniture and property made of plastic) that is difficult to dispose of sustainably
5. Update existing reports to better track surplus property disposal

Scope and methodology

The purpose of our audit was to determine how Metro can clarify surplus property policies and procedures to promote environmental sustainability, efficiency, and ethical conduct.

Our audit objectives were to:

1. Determine how well surplus property policies, roles, and responsibilities align with values
2. Determine if there are ways to better promote internal reuse
3. Determine how to better prevent surplus property accumulation and promote efficient disposal

We focused our audit on the definition of surplus property in Executive Order 65 (EO 65). As a result, this audit excluded analysis of lost and found and abandoned property, expendable items, and real property.

To develop our audit objectives, we reviewed laws, policies and procedures, and reports. We interviewed managers and staff from multiple departments involved in handling surplus property. Those departments included Capital Asset Management, Finance and Regulatory Services, Office of Metro Attorney, Oregon Convention Center, Oregon Zoo, Parks and Nature, Portland Expo Center, and Waste Prevention and Environmental Services. We conducted a site visit at the Metro Regional Center to observe surplus property storage and understand recent changes.

To complete our audit objectives, we reviewed laws, rules, and policies related to surplus property, environmental sustainability, and ethics. We analyzed PeopleSoft financial data to select a judgmental sample of departments that had spent the most on materials from FY 2018 to FY 2022. That sample included three departments: Oregon Convention Center, Oregon Zoo, and Parks and Nature. We interviewed employees that were involved in making decisions at surplus property at those departments to determine how their practices aligned with Metro's values.

To identify whether Metro could improve reuse and disposal practices, we reviewed reports from the Environmental Protection Agency and the Oregon Department of Environmental Quality. We compared Metro's surplus property practices to promising practices from:

- Government Accountability Office
- Multnomah County
- Portland State University
- State of Oregon Surplus Property Program

To identify ways to improve reuse, we conducted a case study using furniture. The purpose of this case study was to identify whether any Metro departments could have benefitted from reuse of surplus property furniture. To estimate furniture costs, we analyzed financial data from Peoplesoft, Ungerboeck, and purchasing card systems. We compared furniture costs to

the average number of full-time equivalent employees at Metro sites from FY 2017-2021.

The audit was included in the FY 2021-22 audit schedule. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management response

Memo



Date: Friday, July 22, 2022
To: Brian Evans, Metro Auditor
From: Marissa Madrigal, Chief Operating Officer
Ryan Kinsella, Capital Asset Management Director
Subject: Management response to Surplus Property Audit

Auditor Evans:

Thank you for the opportunity to respond to the audit of Metro's surplus property policy and practices. We appreciate the time and attention spent on evaluating this policy and developing recommendations, and we agree that there is a need to have an updated policy that promotes cost-efficiency, aligns with our sustainability goals, and ensures ethical practices around personal gain.

In general, we support the findings and recommendations but recognize that the implementation of a revised policy will require trade-offs as we balance our sustainability goals with potential additional costs for buying reusable materials and the additional time to effectively dispose of property. Following your recommendations, we will work with department stakeholders to update the policy and procedures.

Included below are our responses to specific audit recommendations where we identify next steps and set a timeline for implementation.

Recommendation #1: Align responsibilities for prevention, reuse, donation, recycling, and disposal.

Agree. The surplus property policy will be updated to provide clear direction on the responsibility and authority for surplus property prevention, reuse, donation, recycling, and disposal. As the policy is updated, Capital Asset Management Department (CAM) and Finance and Regulatory Services (FRS) will engage department stakeholders in crafting new policy language, identifying duties and responsibilities, discussing policy change impacts, evaluating the trade-offs of a centralized/decentralized approach, and communicating about any expectations/requirements for their involvement implementing changes. Property types that are difficult to reuse or recycle and generate the most waste will be prioritized in the policy update.

Policy and procedure revisions will be updated in the next 18 months, followed by an implementation across Metro.

Recommendation #2: Establish surplus property guidelines that:

A. Promote environmental sustainability by preventing waste and prioritizing internal reuse.

Agree. The updated policy will provide direction on the responsibility of departments in preventing waste and prioritizing internal reuse. CAM will also evaluate internal mechanisms to facilitate reuse of surplus property among departments. Management acknowledges that there has been no systematic communication process across the agency regarding stockpiles of surplus property and its internal availability. Methods to better communicate and share

information about available unneeded items will be prioritized as procedures are developed. These changes will be incorporated into the updated policy that will be completed in the next 18 months.

B. Promote efficiency by minimizing time and money spent on disposal.

Agree. The updated policy will provide direction on how to minimize time and money in the disposal process. These changes will be incorporated into the updated policy that will be completed in the next 18 months.

As noted in the audit, some categories of materials have been time-consuming and administratively difficult for staff to find sustainable ways of managing. Procedures will be developed for staff so that the costs vs benefits of efforts to reuse or recycle items can be evaluated against disposal relatively easily and effectively. In addition, ways to prevent these types of materials from needing to be managed in the first place will also be explored.

C. Clarify ethical requirements in alignment with state ethics laws.

Agree. The updated policy will clarify ethical requirements in alignment with state ethics laws. These changes will be incorporated into the updated policy that will be completed in the next 18 months.

Recommendation #3: Create criteria for assessing viability of items for internal reuse and an inventory of viable surplus property available for reuse.

Agree. These criteria will be incorporated into the updated policy that will be completed in the next 18 months. At Metro, there are a variety of work locales and conditions in which staff work. What may be unusable or unfit for one location, may be acceptable in another. As indicated in Management's response to 2a, it is acknowledged that there has been no systematic communication process across the agency regarding stockpiles of surplus property. In addition to the commitments outlined in 2a, efforts will also be made to ensure that suitability parameters for each site are understood amongst departments.

Recommendation #4: Identify and document how procurement can prevent surplus property (like furniture and property made of plastic) that is difficult to dispose of sustainably.

Agree. CAM will work with procurement and departments over the next 18 months to identify and evaluate practices to prevent the generation of surplus property that is challenging to reuse or recycle. This may include an update to Metro's Sustainable Procurement Admin Procedures to provide guidance for vetting vendors and products for reuse and recycling feasibility.

Management also understands that much of Metro's need to surplus property could be prevented by reducing the overall quantities of items purchased. Exploring what sort of front-end controls can be put in place to ensure items can be sustainably managed at the end of their useful life will be a priority when addressing this recommendation. Consideration will be given to the business needs of departments and safety of employees when developing limitations to purchasing. Management also notes that the FRS' sustainable procurement position was eliminated as part of prior budget reduction, limiting FRS' capacity to advance our sustainable procurement practices.

Recommendation #5: Update existing reports to better track surplus property disposal.

Agree. The existing waste and recycling reports reflect the data that is provided by facilities and venues. However, these waste reports currently only reflect materials that are disposed of on a regular basis and do not account for periodic disposal of surplus property. No singular and consistent method exists at Metro to track existing surplus, where surplus property went nor is it reviewed to determine if procedures for its disposal were followed.

Having more robust data on surplus property disposal would require that facilities track this data. CAM will work with departments over the next 18 months to identify and assess tracking and reporting mechanisms that will allow Metro to evaluate progress toward our waste prevention and climate goals.

I want to express my gratitude to you and your team for performing this audit and for the opportunity to submit a management response.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Madrigal", written in a cursive style.

Marissa Madrigal



Office of the Metro Auditor
600 NE Grand Avenue
Portland, Oregon 97232
503-797-1892
www.oregonmetro.gov