



MONTGOMERY COUNTY COUNCIL

OFFICE OF LEGISLATIVE OVERSIGHT
MONTGOMERY COUNTY, MARYLAND

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REPORT #78-4

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TITLE

An Evaluation of Policies and Procedures Concerning the Purchase,
Control and Disposal of Office Furniture and Equipment by Montgomery
County and Bi-County Public Agencies.

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I. SUMMARY AND MAJOR CONCLUSION/RECOMMENDATION.

In FY 77, \$349,000 of County funds were expended to purchase office furniture and equipment, not including the M-NCPPC FY 77 expenditure. Purchasing policies and procedures differed among the various agencies. Although, each agency required competitive bidding, a major difference existed in the dollar value requirement for formal bids. Also, the extent to which office furniture and equipment were standardized, the degree of consolidation of similar requisitions and the negotiation of contracts varied.

Montgomery County Public Schools (MCPS), Montgomery College, County government and Washington Suburban Sanitary Commission (WSSC) each maintained a computerized inventory system of all fixed assets. The total inventory value for all County owned office furniture and equipment was not readily available because in most inventory systems office furniture and equipment were included in the same category with other fixed assets (unclassified equipment; instructional furniture and equipment, etc.). All agencies are currently developing a computer program to isolate office furniture and equipment and to purge the inventory system of inaccurate data on office furniture and equipment. As of June 30, 1977, Maryland-National Capital Park and Planning Commission (M-NCPPC) did not maintain a fixed assets inventory. M-NCPPC has taken action to develop policies and procedures for accounting for publicly owned property and to complete an inventory by July 1, 1978.

Although all agencies disposed of some surplus office furniture and equipment during FY 77, only Montgomery College, MCPS and WSSC had documented policies and procedures for identifying and disposing of surplus office furniture and equipment. The majority of typewriters were traded-in and office furniture was sold at a public auction/sale.

The major conclusion and recommendation of this evaluation are:

The absence of policies and procedures within County government and between the several public agencies within the County inhibits efforts to achieve economy. Except for some purchases of office furniture by other agencies under the annual MCPS office furniture contracts, the County government and the other County and bi-County agencies purchased office furniture and equipment as independent entities, without the benefit of jointly consolidating similar requests to take advantage of bulk purchasing with its concomitant savings.

An interagency group should be established to study the feasibility of a centralized County-wide program for purchasing and disposing of office furniture and equipment.

II. AUTHORITY AND SCOPE

1. Authority: County Council Resolution No. 8-1418, subject: FY 78 Work Program of the Office of Legislative Oversight, adopted June 28, 1977, directed that the Office evaluate the purchase, control and disposal policies and procedures for office furniture and equipment of County government and other public County and bi-County agencies.

2. Scope: To coordinate the development of data by County government and other County and bi-County public agencies; examine the management policies and procedures for identifying office furniture and equipment needs; review purchasing, receiving, control, transfer and disposal policies and procedures; and evaluate the effectiveness and efficiency of each agency's program. This evaluation deals specifically with general type office furniture and equipment: desks, chairs, typewriters, adding machines and calculators. Finally, this evaluation looked at overall purchasing and contracting procedures of County government, and other public and bi-County agencies.

III. BACKGROUND, FACTS AND DISCUSSION

1. During the FY 78 Operating Budget worksessions, a need to evaluate the purchasing and disposing of office furniture and equipment became apparent. Acquisition procedures for office furniture and equipment did not take advantage of bulk purchasing with its concomitant cost savings. Also, there appeared to be no provisions for identifying excess office furniture and equipment for transfer to other County agencies in lieu of purchasing.

2. The Office of Legislative Oversight (OLO) conducted this evaluation during 1st and 2nd quarter FY 78 using actual FY 77 data. Information was collected from County government departments, MCPS, Montgomery College, M-NCPPC and WSSC. Operating level personnel in budgeting, purchasing, accounting and inventory control were interviewed and an examination was made of budget, purchasing and accounting records and general fixed assets inventory lists.

3. On January 4, 1978, the County government Office of Facilities Management and Services became the Department of Facilities and Services. This report addresses conditions in FY 77 and therefore references the Office of Facilities Management and Services.

4. Office furniture and equipment are purchased with operating, capital improvement (CIP) and enterprise funds with different policies and procedures applying, depending on the type of funds. This report addresses office furniture and equipment purchased with operating funds. Regardless of the fund source, all office furniture and equipment are eventually included in the General Fixed Assets inventories of County government, and other County and bi-County agencies. Each agency will be discussed in subsequent paragraphs.

Montgomery County Public Schools

5. General. Montgomery County Public Schools' regulations provide guidelines for purchase, control and disposal of office furniture and equipment. In addition, the MCPS appointed a Committee for Control of Furniture and Equipment in September 1977. The Committee recently identified some deficiencies and shortcomings of the furniture and equipment program and has recommended actions to improve the program.

6. Purchasing practices, policies and procedures. During FY 77, MCPS spent \$52,900 on non-instructional office furniture and equipment. Prior to new purchases, the annual budget for office furniture and equipment was coordinated with the Division of Supply Management to satisfy requests with furniture and equipment collected from closed schools. The total budget for office furniture and equipment was allocated as either additional or replacement items and consolidated within the Office of the Associate Superintendent for Administration. The Division of Procurement was responsible for standardizing office furniture and equipment, consolidating the specific quantities to be purchased and negotiating annual contracts for office furniture and typewriters. In FY 77, contracts for office furniture (bookcases, file cabinets, chairs, desks, tables) were awarded to four different companies and the contracts for typewriters were awarded to two different companies. In every case, the contract was awarded to the lowest responsible bidder and these contracts allowed for variation from the quantities specified in the bid package and permitted other local government agencies to purchase items at contract prices.

7. Inventory control. MCPS had a computerized inventory system. Furniture and equipment were classified as instructional and non-instructional. As of June 30, 1977, the inventory value for non-instructional furniture and equipment was over \$8.1 million. Procedures for control of furniture and equipment were documented in MCPS Regulation 235-6, "Control of Furniture and Equipment Inventory," and the "Furniture and Equipment Inventory Reference Manual." Regulation 235-6 assigns responsibility for maintaining the inventory to the Department of Financial Services, Division of Accounting. The inventory was updated quarterly to include nonconsumable items valued at \$20 or more. The Division of Accounting assigned a MCPS identification number to all inventory items. Each school/office administrator was required to notify the Division of Accounting of any transfers, surplus, trade-in and losses of office furniture and equipment and to take a physical inventory. In a report dated November 30, 1977, the Committee for Control of Furniture and Equipment identified some deficiencies and shortcomings in the furniture and equipment program. Included in the report were recommendations to make inventory management a higher priority, to enforce MCPS Regulation 235-6, to train school/office staff on the inventory process, and to reactivate the summer inventory audit team. No action will be taken on the committee report until resources can be devoted to implement the recommendations.

8. Control and disposal of any surplus. The Divisions of Procurement and Supply Management had primary responsibilities for control and disposal of surplus office furniture and equipment. MCPS Regulations #235-3, "Dispositions of Board of Education Property," and #235-6, "Control of Furniture and Equipment Inventory," established guidelines and procedures. The Divisions of Procurement and Supply Management coordinated efforts to fill requisitions for new office furniture and equipment with useable surplus. Typewriters were the only items considered eligible for trade-in. The replacement criteria required that manual typewriters had to be five years old and electric typewriters had to be seven years old; also typewriter replacement had to be recommended by the Office Machine Repair Shop. The annual contract for typewriters identified the quantity to be traded-in. The Division of Procurement had responsibility for identifying non-useable items, selling the items at public auction or sale and disposing of items determined to be junk. During FY 77, typewriters were traded-in and non-useable office furniture and equipment was sold.

Montgomery College

9. General. Montgomery College had centralized control over office furniture and equipment. The Director of Procurement was responsible for college-wide procurement of all furniture and equipment, property and inventory control, disposal of surplus property and for establishing criteria for replacement of furniture and equipment. Policies and procedures for purchasing, controlling and disposing of office furniture and equipment were well documented.

10. Purchasing practices, policies and procedures. During FY 77, Montgomery College spent \$11,900 on office furniture and equipment. After reviewing all requests for office furniture and equipment, the Procurement Office made purchases, utilizing contracts of other public agencies wherever possible. An internal report entitled Purchases Through Government Agencies, FY 77, showed the majority of office furniture and equipment was purchased under Montgomery County Public Schools and State of Maryland contracts. The Montgomery College procurement regulation entitled "Criteria for Replacement of Furniture and Equipment," established specific criteria and procedures for justifying replacement of office furniture and equipment.

11. Inventory Control. Montgomery College had a computerized inventory system. For inventory purposes, furniture and equipment were not identified as instructional and non-instructional. The total inventory value, as of June 30, 1977, was \$4.9 million. Procedures for control over furniture and equipment were well documented. In addition to an annual physical inventory by Procurement personnel, the furniture and equipment inventory was updated every six months to include non-expendable items with a purchase price of \$50 or more and a life expectancy of three years or more. Also, Procurement personnel

affixed identification tags to all furniture and equipment when they were delivered to the Central Receiving Section.

12. Control and disposal of any surplus. According to the Surplus Property Procedure, the Procurement Office was required to notify all department heads if office furniture and equipment were available for reassignment. Office furniture and equipment that were not reassigned were traded-in or sold at public sale; prices were pre-established by the Procurement Office. The procedure permitted the Procurement Office to scrap surplus property only after every effort had been made to reassign, trade-in, sell, donate or sell as junk. As of November 1977, some useable surplus furniture and equipment were stored in rented warehouse space. According to Procurement personnel, this surplus furniture and equipment were from the Takoma Park Campus renovation project and would be used at the Germantown Campus. During FY 77, some typewriters and calculators were traded-in and all other useable, surplus office furniture and equipment were sold.

County Government

13. General. The responsibility for the purchase, control and disposal of office furniture and equipment was decentralized among the departments/offices of the County government. Individual department/office heads budgeted for and requisitioned specific office furniture and equipment. The Department of Finance's Purchasing Office was responsible for processing requisitions for new office furniture and equipment and disposing of unserviceable office furniture and equipment. The Department of Finance's Accounting Division maintained the office furniture and equipment inventory records. The Office of Facilities Management and Services' Property and Services Division physically controlled surplus office furniture and equipment. Although operating personnel described various policies concerning the purchase, control and disposal of office furniture and equipment, none of those policies was documented. The revised Purchasing Code became effective on July 7, 1977. Comments concerning the revised Purchasing Code appear in a subsequent part of this report (page 11, paragraph e).

14. Purchasing practices, policies and procedures.

a) During FY 77, the County government spent over \$168,500 on office furniture and equipment. Each department/office head requisitioned specific office furniture and equipment anytime throughout FY 77. The Purchasing Office provided advice to department/office heads on the types of furniture and equipment for specific needs; and suggested items, when applicable be purchased under the MCPS contracts. A review of the FY 77 expenditures for office furniture and equipment showed the majority of office furniture was purchased under the MCPS contracts. Also, the majority of calculators, adding machines and typewriters was purchased under the General Service Administration (GSA) contracts. Since the majority of office furniture and equipment was purchased under MCPS and GSA contracts and the prices could not be negotiated to lower prices, the Purchasing Office did not need to consolidate requisitions for similar items.

b) Although there was no policy on standardization of office furniture and equipment, the recent reorganization and creation of the Department of Facilities and Services addressed the need to standardize the purchase of office furniture and equipment. Accordingly, the Directors of the Department of Facilities and Services and the Purchasing Office have agreed to establish a committee to develop bid specifications identifying office furniture and equipment items and delivery and service requirements.

c) There were no documented replacement criteria for office furniture and equipment. The Inventory of Furniture Fixtures and Equipment as of June 30, 1977, showed examples of 15-20 year old office furniture and equipment still in use. The majority of the older office furniture and equipment was assigned to the Health, Police and Transportation Departments. Health and Police Department personnel complained that the office furniture and equipment were unserviceable; however, without replacement criteria, they apparently could not justify funds during the FY 77 budget process.

15. Inventory control.

a) The County government has been in the process of developing a detailed Fixed Assets Inventory since 1974. According to Accounting Division personnel, an inventory value for office furniture and equipment should be available by the end of FY 78. Although the inventory system will include all office furniture and equipment items and identify department/office location, the inventory value for specific items--desks, chairs, typewriters, calculators, etc.--will only be accurate for items purchased since 1973-74, when the computerized system was implemented. The Finance Department's Director does not consider allocating resources to trace inventory values for specific items purchased prior to 1973-74, to be cost effective. Therefore, over 50% of the inventory value as of June 30, 1977, will be recorded under the broad category of Other Educational and Unclassified Equipment.

b) Although there was no documented procedure, Accounting Division personnel were to assign inventory tag numbers to office furniture and equipment and send the actual tags to each department/office head for affixing to the respective items. As of February 1978, inventory tags had not been sent to department/office heads for all office furniture and equipment purchased during FY 77. Also, there were no procedures to assure that if tags were sent, they would be affixed to the respective items.

16. Control and disposal of any surplus.

a) The responsibility for the control and disposal of surplus office furniture and equipment was decentralized among individual department/office heads, the Finance Department (Accounting Division and Purchasing Office) and the Office of Facilities Management and Services (Property and Services Division). Since the Accounting Division maintained the inventory records, department/office heads were required to notify the Accounting Division when office furniture and equipment were lost, stolen or transferred to the Property and Services Division. The Property and Services Division physically controlled surplus office furniture and equipment and the Purchasing Office was responsible for disposal of damaged/unserviceable office furniture and equipment.

b) There appeared to be no documented procedures for control and disposal of surplus office furniture and equipment. During FY 77, some of the office furniture and equipment inventory value written off as lost, stolen or junked was either still on-hand or could not be traced to disposal records.

c) There was no policy on trade-in of office furniture and equipment. The most common item eligible for trade-in was the typewriter. Each department/office head negotiated trade-in amounts with the manufacturer. The Purchasing Office had no authority to offer the typewriter to another department/office or for sale as a surplus item. During FY 77, twenty-two typewriters were traded-in with trade-in values ranging from \$10 to \$170 per typewriter.

d) There were no provisions for identifying the needs of departments/offices that could be satisfied by transferring surplus office furniture and equipment rather than by purchasing. The Purchasing Office had no knowledge of surplus office furniture and equipment until the Property and Services Division requested disposal of damaged/unserviceable items. During this evaluation, several examples of surplus items were discovered in departments/offices. As an example, a secretarial desk, chair and IBM selectric typewriter have been idle in one department since the administrative aide position was abolished in FY 76.

Washington Suburban Sanitary Commission

17. General. With two exceptions, the Washington Suburban Sanitary Commission (WSSC) appeared to have a well managed office furniture and equipment program. The two exceptions were: a) office furniture contracts were negotiated for specific quantities without allowing for any variation; and b) typewriters were traded-in without considering agency-wide needs.

18. Purchasing practices, policies and procedures. During FY 77, WSSC spent \$115,700 on office furniture and equipment. The Bureau of Supply and Resource Control (the Bureau) had responsibility for all office furniture purchases. A memorandum from the Bureau entitled, "Furniture Procedures," standardized office furniture and required each department/office head to submit budget requests for office furniture to the Bureau. The Bureau consolidated the requested quantities. After the budget was approved, the Purchasing Division negotiated and awarded, to the lowest responsible bidder, contracts for office furniture. These original contracts did not allow variation from the quantities specified. In the opinion of this evaluator, it would be more cost-effective to negotiate annual contracts that allowed some variation, than to negotiate new contracts possibly at higher prices if additional office furniture was required. Each department/office head budgeted for office equipment. The Purchasing Division had standardized typewriters to only one brand, and the majority of calculators and adding machines were from two companies. Since these brand name items were purchased under the General Services Administration (GSA) contract and prices could not be negotiated, the Purchasing Division did not attempt to consolidate requisitions for typewriters, calculators and adding machines.

19. Inventory Control. The WSSC had a computerized inventory system. The Bureau affixed identification tags to all office furniture and equipment. The last physical inventory was taken during July 1976, when many errors were discovered because organizational changes had not been incorporated into the inventory system. In an effort to correct the errors, Accounting, Data Processing and Office Services identified a need to evaluate total inventory control. In July 1977, a consultant firm was hired to study control over all moveable assets. The study was completed in December 1977 and a Moveable Assets Procedure Manual was drafted. The new procedures will become effective July 1, 1978, and the current inventory is being purged to eliminate items with an initial cost under \$100.

20. Control and disposal of any surplus: The Bureau of Supply and Resource Control (the Bureau) had responsibility for identifying, controlling and disposing of surplus office furniture and equipment. According to the "Policy for Disposal of Surplus Property," department heads were required to report surplus office furniture and equipment to the Bureau and the Bureau maintained an office furniture and equipment pool with established inventory levels. When office furniture and equipment became surplus to pool inventory levels, a Surplus Property Review Board reviewed and approved disposal of the office furniture and equipment by auction. Although the overall control of surplus office furniture and equipment appeared adequate, the disposal policy and procedures were circumvented when typewriters were traded-in. Discussion with Purchasing Division personnel and review of purchasing invoices showed individual department/office heads decided to trade-in typewriters for new typewriters. The Purchasing Division had no authority to offer the typewriter to other departments/offices in lieu of purchasing additional new typewriters. Also the traded-in typewriters were not reported as surplus to the Bureau nor was the trade-in action approved by the Property Surplus Review Board.

Maryland-National Capital Park and Planning Commission

21. General. This evaluation did not include an examination of the Maryland-National Capital Park and Planning Commission procedures for purchase, control and disposal of office furniture and equipment as the Commission is in the process of developing procedures for accounting for all publicly owned property including office furniture and equipment. A complete inventory is to be accomplished by July 1, 1978.

Other Matters

22. County Council Resolution No. 8-1418, subject, FY 78 Work Program of the Office of Legislative Oversight, includes a general work project to evaluate County agency policies, procedures and

attitudes. Outlined below are pertinent observations on agency policies, procedures and attitudes and on other matters related to office furniture and equipment.

a) Cooperation, coordination and communication: The Office of Legislative Oversight (OLO) received complete cooperation from MCPS, Montgomery College, County government, WSSC and M-NCPPC. Operating level personnel in budgeting, purchasing, accounting and inventory control were responsive, displayed a high degree of professionalism and opened their files to this evaluator.

b) Standards Committee on Office Products and Environment: In July 1973, the County government's Chief Administrative Officer established the Standards Committee on Office Products and Environment (SCOPE). The Committee consisted of representatives of Research and Management Analysis, Office of Facilities Management and Services, Office of Architectural Services and Purchasing Office. The goals and objectives of the Committee were:

- " . To promote the procurement of standard office products (supplies, equipment, furnishings, etc.) of uniform quality.
- . To promote the standardization of various office products (supplies, equipment, furnishings, etc.) in order to take advantage of blanket maintenance and replacement policies.
- . To promote economy by purchasing "in bulk" and thereby taking full advantage of all available discounts.
- . To promote the ease of procurement by operating management of basic office products (supplies, equipment, furnishings, etc.).
- . To promote the effective and efficient utilization of office space in County-owned or leased facilities.
- . To promote the esthetic improvement of the overall appearance of County government office environments."

The Committee developed procedures and drafted the following four SCOPE documents:

SCOPE document No. S-1: Standards

SCOPE document No. S-2: Calculator, Adding Machine Standard

SCOPE document No. S-3: Specification standards for basic office metal desks, consoles and modular components.

SCOPE document No. S-4: Style and color combination standards of basic office metal desks, tables and file cabinets.

The goals and objectives were ambitious and a sound basis for an efficient and effective office furniture and equipment program; however, only SCOPE documents No. S-1 and S-2 were issued and except for the calculator/adding machine levels cited in the FY 79 Operating Budget Manual no action had been taken to implement the procedures.

c) County government budget process: The County government budget process provides the Council an opportunity to examine detailed expenditures, to include office furniture and equipment, prior to approval of annual appropriations. Detailed lists of office furniture and equipment items are prepared, justified and reviewed at ascending levels of management and eventually examined by the County Council. After Council approves the budget, additional or substitute office furniture and equipment can be purchased with Budget Office and County Executive approval. During FY 77, over \$80,000 was transferred from operating expenses, salaries/wages and motor pool funds to purchase additional office furniture and equipment. Also, some items were purchased with funds originally approved for other items. Examples included a calculator purchased with funds approved for a dictaphone, nine chairs purchased with funds approved for a typewriter and a storage cabinet and typewriter purchased with funds approved for metal ballot box carriers.

d) Office machine repair and maintenance:

1) The office machine repair and maintenance programs of the County government, other public County agencies and bi-County agencies were examined. This examination showed a variety of programs, to include annual service agreements for individual office equipment, an annual contract for all office equipment in one agency, and an agency in-house office machine repair facility.

2) The Montgomery County Public Schools had an in-house office machine repair facility. The Office Machine Repair Shop was staffed with ten employees, assigned eight vehicles and maintained equipment and parts for repairing and servicing all instructional and non-instructional office machines to include typewriters, calculators, adding machines and mimeograph machines. During FY 77, the Office Machine Repair Shop expended \$162,155, not including the vehicle expense which were a part of the Division of Maintenance vehicle costs.

3) In Montgomery College, the Procurement Office had responsibility for budgeting and administering the repair and maintenance program for non-instructional typewriters and other office machines. The Procurement Office negotiated an annual contract for repair and maintenance of non-instructional typewriters and mechanical adding machines and calculators and maintained service agreements on electronic calculators. The total FY 77 cost for repair and maintenance was \$7,000.

4) Within the County government, the Purchasing Office and individual departments/offices shared responsibility for the

office machine repair and maintenance program. The Purchasing Office administered the office machine repair and maintenance program by approving the initial service agreements, coordinating department/office requests for repair/maintenance service with the appropriate company and maintaining files on the service agreements and requests for service. Each department/office budgeted for and authorized the payments for annual service agreements and repair services. During FY 77, the County government expended over \$33,800 on service agreements. In an effort to improve economy and efficiency, the Purchasing Office developed a bid package for Preventive Maintenance/Repair Service. The Purchasing Office received four bids, reviewed quotations and estimated a savings over the FY 77 cost for service agreements. In July 1977, the Contract Review Committee (CRC), after considering the proposal to discontinue service agreements and award a contract for Preventive Maintenance/Repair Service, recommended the service agreements be continued for one year while Management and Public Policy explored the possibility of having an in-house serviceman for all County office machines. As of this writing, Management and Public Policy has not completed the study, as it is a low priority.

5) In the Washington Suburban Sanitary Commission, the Purchasing Division had responsibility for budgeting and administering office machine repair and maintenance. During FY 77, WSSC expended \$13,072 on service agreements for the majority of office machines with the remaining office machines repaired, on a case-by-case basis.

6) In the Maryland-National Capital Park and Planning Commission, the Division of Accounting had responsibility for administering the repair and maintenance program. During FY 77, M-NCPPC expended \$10,000 on service agreements. Adding machines and calculators were repaired on a case-by-case basis.

7) A detailed examination of office machine repair and maintenance was not within the scope of the evaluation; however, the dollar value expended and the similarity of program requirements suggest interagency coordination could result in some economies.

e) Compliance with the revised Purchasing Code:

1) The revised Purchasing Code became effective on July 7, 1977. Since the evaluation of office furniture and equipment was conducted during 1st and 2nd quarter FY 78 using actual FY 77 data, this evaluator can only comment on actions taken during 1st and 2nd quarter FY 78 to comply with the revised Purchasing Code.

2) In August, 1977, the Finance Department identified a number of procedures that should be developed to comply with the requirements of the revised Purchasing Code. However, the required staff support has not been available to write the Purchasing Policy and Procedures Manual. As of this writing a request for proposal, entitled "Consultant Services--Review of Purchasing Office and Implementation of Recently Enacted Contracts, Purchasing and Disposition Chapter of the Montgomery County Code" has been mailed to four consultant firms. This request for proposal identifies specific tasks including:

"...prepare written drafts of all policies, forms and procedures which must be revised to comply with Bill No. 37-75.

...prepare a written draft of a Purchasing Manual for the County Government.

...prepare written recommendations for revisions to the staffing of the County Purchasing Office."

In the opinion of this evaluator, these consultant services will greatly benefit the County government.

3) The revised Purchasing Code does not apply to the College, MCPS, M-NCPPC, or WSSC. Nonetheless, this evaluator noted that these agencies had policies, regulations or procedures which addressed the majority of the revised Purchasing Code requirements. The major difference between these agencies' policies and the Purchasing Code was the dollar value requiring formal bids. The College, MCPS and M-NCPPC established the requirement at five thousand dollars or more and the WSSC requirement was fifteen thousand dollars or more. As discussed previously, during FY 77, MCPS and WSSC negotiated and awarded contracts for office furniture and equipment to the lowest responsible bidder; and Montgomery College purchased the majority of office furniture and equipment under the MCPS and Maryland State contracts. Also, the College, MCPS and WSSC had centralized control over surplus, and during FY 77, disposed of surplus office furniture and equipment by public auction or sale.

IV. CONCLUSIONS:

1. Conclusion #1:

a) General: In FY 77, \$349,000 was expended to purchase office furniture and equipment by the following County agencies (the M-NCPPC expenditure is not included because the Commission is now developing procedures for accounting for all publicly owned property including office furniture and equipment and therefore could not identify FY 77 expenditures).

b) Specific:

	<u>FY 77 Expenditure</u>
MCPS	\$ 52,900
College	11,900
County Government	168,500
WSSC	<u>115,700</u>
TOTAL	\$349,000

2. Conclusion #2:

Current Montgomery County Public Schools' regulations provide guidelines for purchase, control and disposal of office furniture and equipment. A Montgomery County Public Schools' Committee for Control of Furniture and Equipment identified some deficiencies and shortcomings in the furniture and equipment program and recommended actions to improve the program. However, no action will be taken on the Committee report until resources can be devoted to implement the recommendations.

3. Conclusion #3:

Montgomery College had centralized the responsibility for the purchase, control and disposal of office furniture and equipment within the Procurement Office and appeared to have an efficient and effective program.

4. Conclusion #4:

a) General: Within County government the responsibility for purchase, control and disposal of office furniture and equipment was decentralized among the departments/offices; however, there were no documented program policies or procedures to delineate responsibilities and methods.

b) Specifics:

1) In regard to purchasing, the majority of office furniture and equipment was purchased under the Montgomery County Public Schools (MCPS) and General Services Administration (GSA) contracts. The Director's of the newly organized Department of Facilities and Services and the Purchasing Office have agreed to establish a committee to develop a policy on standardized office furniture and equipment. However, there were no apparent replacement criteria.

2) In regard to control, there were no documented procedures to ensure the accuracy of inventories or to determine that office furniture and equipment were identified with inventory tags.

3) In regard to disposal of any surplus, there were no documented procedures for identifying, controlling and disposing of surplus office furniture and equipment.

5. Conclusion #5:

a) General: With two exceptions, the WSSC appeared to have a well managed office furniture and equipment program.

b) Specifics:

1) The "Policy for Disposal of Surplus Property" was circumvented when individual department/office heads traded-in used typewriters for new typewriters.

2) Contracts for office furniture specified exact quantities and did not allow for variations; consequently any requirement for additional office furniture necessitated the negotiation of a new contract, possibly at higher prices.

6. Conclusion #6:

The M-NCPPC is currently developing policies and procedures for accounting of all publicly owned property, including office furniture and equipment.

7. Conclusion #7:

With one exception, the purchasing offices of County government and other County and bi-County agencies do not coordinate and consolidate office furniture and equipment purchases to take advantage of additional economies associated with bulk purchases. The one exception is, that Montgomery College and County government have made purchases utilizing the annual Montgomery County Public Schools office furniture and equipment contracts.

8. Conclusion #8:

Although this report did not include a detailed examination of office machine repair and maintenance, enough information was available to suggest that economies are probable through a coordinated inter-agency approach to this activity.

V. RECOMMENDATIONS:

1. The County government should develop and document policies and procedures to coordinate the responsibilities for purchase, control and disposal of office furniture. The policies and procedures should include as a minimum:

a) Specified replacement criteria.

b) The requirement that the Division of Auditing perform random audits to ensure the accuracy of inventories and the appropriateness of office furniture and equipment policies and procedures.

c) The requirement to report all surplus office furniture and equipment to the Purchasing Office, especially typewriters, prior to any trade-in decisions by department heads.

2. The WSSC should ensure typewriters are not traded-in without the Surplus Property Review Board's approval. Also, office furniture contracts should include a clause allowing variations (plus or minus) from quantities specified.

3. As M-NCPPC develops procedures for accounting for office furniture and equipment, controls should be established to ensure the most efficient expenditure of funds.

4. An interagency group should be established to study the feasibility of a centralized County-wide program for purchasing and disposing of office furniture and equipment. This interagency group should also examine any potential economies that could result from a coordinated program of office machine repair and maintenance.

VI. AGENCY/DEPARTMENT COMMENTS AND OLO RESPONSE:

1) General: A draft copy of this report was sent to Montgomery County Public Schools, Montgomery College, County government departments/offices, Washington Suburban Sanitary Commission and the Maryland-National Capital Park and Planning Commission. Replies were received (some orally) from all agencies except the Maryland-National Capital Park and Planning Commission. Those comments which corrected basic data or provided additional clarification and justification have been included in this final report. Other comments are presented below in their entirety or as extracts. In no instance has any critical comment been excluded.

2) Extract of comments from the Superintendent, Montgomery County Public Schools.

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1	The second paragraph indicates that all agencies are currently developing a computer program to highlight office furniture and to purge the inventory system for accurate data. While it is true that we have listed this as an item for implementation, we have not yet devoted resources to this computer program.
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3) Extract of comments from the Assistant to the President, Montgomery College.

The only concern expressed about the report was in regard to the first major conclusion and recommendation of the evaluation (page 1, section I) which could be interpreted to mean that the County government and other County and bi-County agencies do not benefit from consolidating bids or "riding" each other's contracts. However, as stated on page four of the report, the College does utilize contracts of other public agencies whenever possible.

4) Oral Comments from the Director, Department of Finance.

He does not believe it would be practical or cost effective to establish replacement criteria for office furniture and equipment. Also, to make Auditing Division resources available to ensure the accuracy of inventories and the appropriateness of office furniture and equipment policies and procedures would mean higher priority audits could not be performed. In general, the purchase and control of office furniture and equipment should be the responsibility of the individual department heads, who should be trusted to use good judgment in the exercise of this relatively minor responsibility.

5a) Extract of comments from the Acting Chief, Division of Accounting.

(B) Page 6, 15 (a) - I strongly take issue with the comment "will only be accurate for items purchased since 1973-74. This statement is not true for the accounting of all Capital Outlay Expenditures by County Government. As in total every purchase is accounted and coded into the sub-system known as Fixed Asset System. A little background on this operation for a better understanding what was done and what the goals to accomplish is in the making.

(1) Every year assets are accounted in total dollars expended in the five major control accounts such as, Land; Building; Machinery and Equipment; Other Assets; and Construction in Progress. This information was captured on 3 x 5 cards from 1948 thru 1972 and summarized on workpapers for Annual Report purposes. The outside Auditors would review and approve. The cards were kept by Agency having control of the Asset. Once a year an inventory was taken by the Agencies and submitted to finance by control number tag affixed to asset. Also a report for current year trade-ins, transfers or items missing and unaccounted for. This report was compared to the 3x5 cards on file and adjustments made which was the basis for summarization and preparation of current year report. At the time no classification was needed for the Fixed Asset

(2) Back in those years when the County Government was centralized the affixing of the item tags was done by Finance personnel at the end of each Fiscal Year. It took two men three months to complete this operation. The situation has changed as the County and expended.

(3) With the implementation of FAMIS in 1972 it gave us a lot more flexibility to capture more detail data. At this point Division of Accounting began to design a Fixed Asset System. After an extensive research it was decided to use the Board of Education System as a model. This sub-system would give us additional detail data which FAMIS could only capture at the control level.

(4) At this point we had to fight for some MIS resources to program and key-punch of existing data. This was an accumulation of approximately 30,000 3 x 5 cards. We were aware that further expansion and other implementations would be needed, but the decision was to implement existing data and capture current data. As it was determined that the System was doing what was intended, to review and cleaning up of existing data for better and meaningful information would to be produced. The June 30, 1977 report was going to be our basis for the review which for technical reasons and insufficient resources in MIS, the report as of this date has not been received.

(5) Deborah Snead is basing her review of the FAMIS Subsidiary File and the (Note OLO Fixed Asset sub-system which are not in agreement in the classification coding area Response) but in total are. The intend was to adjust the FAMIS subsidiary file with the sub-system as more detail is provided in this system as soon as we receive the June 30, 1978 report.

(6) The question of Unclassified Equipment raised by Deborah Snead is mostly closed Capital Projects for 1948 to current which is difficult to capture the fixed assets as you are aware these projects run for several years before completion. This is a time consuming effort to go back and review each purchase order and in most cases the 10 year limitation of retention of these documents has passed. (Note OLO Response)

(7) The sub-system does have the capability to print out every item under the Unclassified Equipment by Agency and this report will be audited to assign better classification to these items, but in the Capital Project area it might not be possible. The alternative would be at some time to have a complete physical inventory taken by the Agencies with complete description. (Note OLO Response)

(8) This effort will require resources and priority changes for existing programs now scheduled for future development. It is a question if Management wants a better detail classification of the Fixed Assets although captured in total and the existing classification are correct as far as total expenditures. (Note OLO Response)

(c) Page 6 - 15 (b) - Initial contact has been made with Don Gibson to draft Administrative Procedures for the Fixed Asset System. A detail explanation of the System, the purpose and the responsibilities. Need Managements decision to place a dollar value and life of an item to be considered a Fixed Asset. My conservative recommendation would be a value of \$100 and a useful life of a year or more.

Reference @ #5,6,7,8.

b) OLO Response:

Without the benefit of documented policies and procedures, OLO reviewed the County Government's Fixed Assets Inventory system based on extensive discussions with Division of Accounting personnel. The above comments from the Acting Chief, again address the need to fully develop the Fixed Assets Inventory. And in the opinion of this evaluator, until all items are assigned proper classification codes, the Fixed Assets Inventory system can not provide an accurate inventory value for office furniture and equipment.

6) Extract of comments from the chairman, Washington Suburban Sanitary Commission.

Observation a: Office furniture contracts being negotiated without allowing for changes in quantities.

Best prices for office furniture are obtained when fixed quantities are ordered. This enables suppliers to gear up for a fixed run, knowing the furniture may be fabricated and shipped as a unit. Any variation of this least cost method results in increased prices. We feel this cost advantage outweighs the occasional occurrences when additional, unplanned-for furniture must be purchased.

Observation b: Typewriters being traded-in without considering agency-wide needs.

The only purpose for retaining typewriters being upgraded would be for use in a Commission-wide typewriter pool. Typewriters being traded-in are not surplus equipment, but are items that have normally outlived their useful life. It would be very difficult to interpret the assignment of a used, outmoded typewriter to an office with an additional requirement as "considering agency-wide needs." As noted by the author, policy does permit individual agency units to trade-in typewriters on new equipment. However, in practice an adequate agency-wide pool is maintained. As a result of the observation of the author, we have placed an additional control in our procurement system which flags every typewriter purchase where a trade-in typewriter is identified so that the controlling Bureau Office is able to determine whether or not the old typewriter should be retained.