

February 28, 2006

**Internal Audit Report 2006-4
Auctioneer Contract
Purchasing Department**

Introduction. In March 2004, the Purchasing Department (Purchasing) entered into a contract with North Pacific Auctioneers Ltd. (Auctioneer) to provide auctioneering services for disposal of Municipal surplus materials and equipment, and lost and found materials from the Anchorage Police Department. Mayor's directive No. 2, Surplus Property, states: "Bi-weekly, the Purchasing Department will consolidate and distribute the information received from agencies, identifying the property available, the condition of the property, the agency where the property is located, contact name and number, and viewing deadline (two weeks from date the surplus list is prepared by Purchasing). Any property not claimed by the viewing deadline will be sent by the reporting agency to the auction contractor for processing." Per contract, auctioneer services include pick-up, delivery, and safekeeping/storage of Municipal surplus items. In addition, the Auctioneer is responsible for advertising upcoming auctions, disposal of items not sold at the auctions, record keeping and reporting, and associated accounting services. The auctioneer contract is administered by the Purchasing Department.

Objective and Scope. The objective of this audit was to determine whether the contract was properly administered and whether the contractor was complying with contract requirements. As part of the audit, we conducted a review of documentation required by the contract and maintained by the Contract Administrator. In addition, we judgmentally selected four auction reports to test and recalculated the auctioneer fees. Moreover, we conducted an on-site inspection of auctioneer facilities to ensure compliance with contract requirements. Finally, we tracked Municipal surplus items from department pick-up to auction sale.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of January through February 2006. The audit was requested by the Administration.

Overall Evaluation. Overall, the auctioneering contract was well administered and contract requirements were complied with. However, we found that some documentation required by the contract was not always submitted to the Contract Administrator.

FINDING AND RECOMMENDATION

1. Required Documentation Not Submitted.

- a. Finding.** Documentation required by the contract was not always submitted to the Contract Administrator. The contract required that a complete, detailed list of items to be auctioned should be submitted to the Contract Administrator at the time the contractor prepared an advertisement of the auction. However, the detailed lists had not been submitted, making it difficult to track Municipal surplus items through the auction process.
- b. Recommendation.** The Purchasing Officer should ensure that documentation required by the contract is properly submitted or should revise the contract accordingly. The Purchasing Officer should also consider implementing a checklist for each auction event to help monitor contract documentation requirements.
- c. Management Comments.** Management concurred and stated, “The Purchasing Office will work with the Auction Contractor to assure the appropriate property listings are provided in accordance with the contract documents.”

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- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on February 24, 2006.

Audit Staff:
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