



# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

**Report Number:**  
**071-0515-19**

### *IT Equipment Surplus and Salvage*

### *Department of Technology, Management, and Budget (DTMB)*

**Released:**  
**January 2020**

IT equipment is regularly purchased and used by State of Michigan employees to process and store data for State government operations. As this equipment becomes surplus, obsolete, or out of warranty, the State must dispose of these items in a safe and secure manner. To accomplish this, DTMB has contracted with a third-party vendor for the sanitization and disposal of unneeded IT equipment, including desktop computers, laptop computers, servers, storage and networking devices, smart phones, and tablet computers. State employees use the Automated Asset Recovery Program (AARP) System to submit unneeded equipment to DTMB for surplus and salvage. DTMB Delivery, Warehouse, and Surplus Services primarily handles the transfer and storage of equipment until vendor pickup. Workstations that are fit for reuse are stored as agency stock.

Audit Objective			Conclusion
Objective #1: To assess the sufficiency of DTMB's efforts to prevent the unauthorized disclosure of data on surplus and salvage IT equipment.			Sufficient, with exceptions
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
DTMB, in conjunction with the vendor, did not have certification of proper disposal for 25 (16%) of 154 equipment items sampled and did not track sufficient details for the disposal of smart phones and certain tablet computers ( <a href="#">Finding #1</a> ).	X		Agrees
The IT equipment that DTMB verified had been sanitized was known to the vendor prior to applying the sanitization process. Selecting the equipment after sanitization would provide DTMB with better assurances that all equipment was properly sanitized. Also, DTMB did not select all types of computer equipment for verification ( <a href="#">Finding #2</a> ).		X	Agrees

<b>Findings Related to This Audit Objective (Continued)</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
The third-party audit of DTMB's IT equipment sanitization and disposal vendor did not include review of the vendor's data privacy and information security program ( <u>Finding #3</u> ).		X	Agrees
DTMB did not verify that its vendors effectively sanitized leased multi-function printers prior to disposal. Those printers may house images of any scanned, copied, or faxed documents within their local memory ( <u>Finding #4</u> ).		X	Agrees

<b>Audit Objective</b>			<b>Conclusion</b>
Objective #2: To assess the effectiveness of DTMB's efforts to prevent and detect the theft of surplus and salvage IT equipment.			Moderately effective
<b>Findings Related to This Audit Objective</b>	<b>Material Condition</b>	<b>Reportable Condition</b>	<b>Agency Preliminary Response</b>
DTMB did not restrict access to surplus and salvage IT equipment to only employees who required access. Forty-nine percent of employees reviewed did not require access to the designated surplus and salvage area. Also, DTMB did not securely store untracked smart phones and hard drives within the designated storage area. The audit team's removal from the building of 6 smart phones awaiting disposal went undetected ( <u>Finding #5</u> ).	X		Agrees
DTMB did not ensure proper payments from the sanitization vendor by reconciling with the surplus and salvage IT equipment sent for disposal. We identified 222 pieces of IT equipment provided to the vendor for sanitization in July 2018 that were unaccounted for in asset settlement reports tied to payments ( <u>Finding #6</u> ).		X	Agrees

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Phone: (517) 334-8050

Office of the Auditor General  
201 N. Washington Square, Sixth Floor  
Lansing, Michigan 48913

**Doug A. Ringler, CPA, CIA**  
Auditor General

**Laura J. Hirst, CPA**  
Deputy Auditor General