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|---|-----------------|------------------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30705 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Surplus Property Management |
| Section No. 30700—Surplus Property | DATE | May 2009 |

Table of Contents

| | |
|----------------------------------|---|
| Overview..... | 2 |
| Introduction..... | 2 |
| Policy | 3 |
| General..... | 3 |
| Procedures..... | 4 |
| Surplus Property Management..... | 4 |
| Internal Control..... | 5 |
| General..... | 5 |
| Records Retention..... | 6 |
| General..... | 6 |
| DOA Contact | 6 |
| Contact..... | 6 |
| Subject Cross References..... | 6 |
| References..... | 6 |

| | | |
|---|-----------------|------------------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30705 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Surplus Property Management |
| Section No. 30700—Surplus Property | DATE | May 2009 |

Overview

Introduction

The purpose of this topic is to provide guidance in the management of surplus property. Surplus assets are those assets that are not currently in use. Unless agency management considers assets useful by others in the organization at some future time, the assets may be considered disposable. Assets not in operable condition may also be classified as surplus. Ultimately, surplus property will either be repaired or sold for salvage.

The Division of Purchases and Supply (DP&S), Department of General Services, is responsible for the storage, placement to other agencies, and sale at auction or other form of disposal of surplus assets for agencies of the Commonwealth. Agencies send their surplus assets to the (DP&S) for disposal. However, due to space limitation, agencies may be required to delay sending unneeded assets to the (DP&S), thus necessitating on-site storage.

An agency may have surplus or unneeded assets stored on-site, or already sent to DP&S for ultimate disposal. **The physical location of a surplus asset governs its treatment in FAACS.**

When the asset is not in current use and is located on-site at the agency, it should be classified as **surplus**.

When an asset is no longer located on-site at the agency and has been lost, stolen, discarded, or sent to DP&S where it may be made available to other agencies or for ultimate disposition by sale or otherwise, it should be categorized as **disposed**.

(Note: The masterfile record for the disposed asset containing disposal information remains on the system for three years to provide an audit trail and is then automatically purged from the system.)

| | | |
|---|-----------------|------------------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30705 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Surplus Property Management |
| Section No. 30700—Surplus Property | DATE | May 2009 |

Policy

General

All assets must be formally reclassified once agency management determines they

- (a) have served their useful purpose, and/or
- (b) are no longer functional, and/or
- (c) cannot be repaired or improved in a cost-effective manner, and/or
- (d) are not needed for use within the agency.

Those assets so categorized that are stored on site at the agency and, therefore under physical control of the agency, shall be classified as surplus. That is, the availability code field on the input screen should be changed to **S** (surplus), and the surplus date filled in.

Agencies should periodically review capital asset information contained in FAACS to ensure that assets having a surplus status are properly classified as surplus on FAACS.

When any one of these four criteria has been met for assets not stored onsite at the agency (either because the asset has been lost or stolen or because it has been sent to DP&S for handling) it should be classified as disposed. That is, the disposal date field and the disposal code field should be completed appropriately on the FAACS input screen. When an asset is transferred to DP&S for handling, the appropriate disposal code to use is **T** (transfer). For a listing of valid disposal codes see CAPP Topic 30805, *Disposal Management*.

The requirements for the acquisition and disposition of State surplus property are included in Section 2.2-1124 of the *Code of Virginia*. Additional policies and procedures are contained in the DP&S *Agency Procurement Manual*.

| | | |
|---|-----------------|------------------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30705 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Surplus Property Management |
| Section No. 30700—Surplus Property | DATE | May 2009 |

Procedures

Surplus Property Management

Proper management of capital assets requires changes to the master file record for an asset when its status changes. FAACS reports may then be used to manage assets that fall into different categories. Generally, when an asset is acquired, it is fully utilized and, thus, unavailable to others. The availability code is typically indicated as "U" (Unavailable) on the input screen when the asset is added to the system.

As the status of the asset changes over time, some of these changes may be reflected in the availability of the asset for shared use. If the asset is not being fully utilized and may be used by others within the agency part of the time, the availability code should be changed to **A** (Available). When you surplus an asset, the asset's availability code should be changed to **S** (Surplus). (The availability code field will accept only an **A**, **S** or **U**. See CAPP Topic 70325, *Data Entry*.) When an asset is transferred to DP&S, a disposal transaction should be processed for the asset.

Surplus assets will continue to be included on agency inventory reports. The agency is still responsible for stewardship over these assets. Disposed assets will not appear on agency inventory reports. Since these assets are no longer under physical control of the agency, the agency is not responsible for stewardship over them. Once an asset has been sent to DP&S, DP&S assumes responsibility for it.

Assets having an availability code of **A** or **S** will be reported on agency wide FAACS screening reports. Assets having an availability code of **S** will be reported on statewide FAACS screening reports. These screening reports may be of use to agency management in identifying surplus assets located at the agencies for possible use by others. Disposed assets (sent to DP&S) do not appear on FAACS screening reports. DP&S will assist agencies with identifying surplus assets in the DP&S warehouse for possible use by agencies.

Surplus assets are included in the Statewide capitalization base for financial reporting purposes, and depreciated until either fully depreciated or permanently disposed. Those surplus assets that are federally financed (**G** code) will also continue to be depreciated. Such depreciation is not included in the overhead pool for federal indirect cost recovery. This is the same treatment as for active federally financed assets. See CAPP Topic 31105, *Federal Requirements*. To assist agencies in determining depreciation related to federally financed assets (either active or surplus) and, therefore, not included in the overhead pool, FAACS produces depreciation expense reports that provide totals for depreciation on this category.

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| | | |
|---|-----------------|------------------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30705 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Surplus Property Management |
| Section No. 30700—Surplus Property | DATE | May 2009 |

Procedures, Continued

Surplus Property Management continued

Depreciation on agency-owned, surplus assets should also not be included in the overhead pool for indirect cost recovery. It is the responsibility of each agency to establish procedures, which ensure that depreciation on surplus assets (availability code **S**) is not included in the overhead pool for indirect cost recovery.

Depreciation on all surplus property, whether federally financed (**G**) or agency-owned (**A**), should be reported in the financial statements. This is primarily for agencies operating within proprietary funds.

All other surplus property management procedures are established and enforced by DP&S.

Internal Control

General

Each agency and institution should implement cost-beneficial internal control procedures to ensure that:

All assets are periodically reviewed as to proper status of available, unavailable, or surplus.

All surplus items, which are sold or transferred, are properly recorded as disposals.

Depreciation on surplus assets is not included in the overhead pool for federal indirect cost recovery.

Depreciation on all assets, including those surplus, is accounted for in the agency financial statements, where required.

| | | |
|---|-----------------|------------------------------------|
| Volume No. 1—Policies and Procedures | TOPIC NO | 30705 |
| Function No. 30000—Capital Asset Accounting | TOPIC | Surplus Property Management |
| Section No. 30700—Surplus Property | DATE | May 2009 |

Records Retention

General

Fiscal records related to managing capital assets should be retained for a period of 2 years plus current fiscal year, or until audited, whichever is greater. However, for pending, ongoing, or unresolved litigation, audits or claims, retain documentation until completion, resolution, or negotiation of settlements.

Destruction of records must be in accordance with policies and procedures of the Records Management Section, The Library of Virginia.

DOA Contact

Contact

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Subject Cross References

References

CAPP Topic No. 30805—*Disposal Management*

CAPP Topic No. 31105—*Federal Requirements*

CAPP Topic No. 70325—*Data Entry*
