Volume No. 1—Policies and Procedures	TOPIC NO	30705—Cardinal
Section No. 30700—Surplus Property	TOPIC	Surplus Property Management
CARDINAL	DATE	July 2022

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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 Office of Surplus Property Management (OSPM), 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 OSPM for disposal. However, due to space limitation, agencies may be required to delay sending unneeded assets to the OSPM, thus necessitating on-site storage.

An agency may have surplus or unneeded assets stored on-site, or already sent to OSPM 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 OSPM for ultimate disposition by sale or otherwise, it should be categorized as **disposed**. Assets that have been surplused in FAACS cannot be disposed using a lost or stolen disposal code. (Note: The FAACS 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).

Disposal of Controlled Assets

Unlike capitalizable assets that are purged from FAACS after three years from the disposal date through the FAACS monthly depreciation program, controlled assets do not depreciate and are excluded from the asset purge program. **If a controlled asset is disposed <u>instead</u> of being deleted, the asset record will remain in FAACS indefinitely and the record will never be systemically purged. Therefore, do not enter a disposal date or disposal code in the FAACS Masterfile record when a controlled asset is removed.**

To properly remove a controlled asset record, it should be **deleted** from the FAACS Masterfile**.** Agencies should screen-print the FAACS Masterfile asset record for any controlled asset that is to be deleted. A hardcopy of the asset record screen print should be maintained to provide an audit trail of the controlled asset's disposal as necessary. The controlled asset record should then be deleted from the FAACS Masterfile.

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 OSPM 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 OSPM for handling, the appropriate disposal code to use is **T** (transfer). For a listing of valid disposal codes see CAPP Cardinal 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 OSPM *Agency Procurement Manual*.

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 OSPM, 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 OSPM, OSPM 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 OSPM) do not appear on FAACS screening reports. OSPM will assist agencies with identifying surplus assets in the OSPM 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.

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 <u>not</u> 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 OSPM.

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 surplused assets is not included in the overhead pool for federal indirect cost recovery.

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

Records Retention

General

Records should be maintained for a period of at least three years or longer, if necessary, to be in compliance with policies established by the Records Management Section, The Library of Virginia. The retention period generally starts at the close of the fiscal period.

For pending, ongoing or unresolved litigation, audits or claims, retain documentation until completion, resolution or negotiation of settlements and retain according to standard schedules. Provide for the periodic destruction of records not subject to permanent deposit in accordance with policies and procedures established by the Records Management Section, Virginia State Library and Archives.

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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*