



FIXED ASSET ACCOUNTING AND MANAGEMENT PROCEDURES MANUAL

SECTION 13

Retirement and Disposal

1 Purpose

The purpose of this section is to govern the removal of a fixed asset or controlled item from the custodial department's records and to account for the resulting gain or loss. To achieve this purpose, procedures are provided for processing and recording retirements and dispositions of fixed assets and controlled items.

2 Scope

All fixed assets and controlled items that are sold, exchanged, traded in, abandoned, donated, stolen, damaged beyond repair, worn beyond utilization, or in any way removed from service and disposed of during the current fiscal reporting period will be recorded as retirements in the Fixed Asset Management System (FAMS). This procedure will be used in conjunction with Section 11 (Transfer of Fixed Assets) and Section 12 (Transfer and Removal of Surplus Property) and Fleet Management procedures for vehicle disposals to ensure proper recording of retirements and disposals in the FAMS.

Retirements of assets include the reduction of both fixed asset and accumulated depreciation accounts. In addition, depending upon the method of disposition and the amount of proceeds or other compensation received by the fund, a gain or loss on the disposition may be reflected in the fund's financial statements.

3 Responsibilities by Major Asset Category

3.1 Land, Buildings, and Other Real Estate

The Public Works & Engineering (PW&E) Real Estate Division and the director of the custodial department will coordinate and process the retirement and disposal of all land, buildings, related improvements, and other real estate assets.

The department will record the disposal and any related proceeds in the department FAMS.

3.2 Vehicles and Rolling Stock

Fleet Management will coordinate and process the retirement and disposal (including sales) of all vehicles and rolling stock assets.

The department will record the asset with an *idle/pending sale* status in the department FAMS when the vehicle or rolling stock asset is turned over to Fleet Management for disposal. Fleet Management will provide the department with a disposal transaction and any related proceeds for processing in the department FAMS once the disposal process is complete.



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3.3 Other Equipment

The director of the custodial department, either working with the Property Disposal Management Office (PDMO) or alone (with appropriate approvals or in accordance with this procedure), will coordinate and process the retirement and disposal of all other City assets.

3.3.1 Property Disposal Management Office (PDMO)

- Is responsible for the ultimate disposal of City property (except as specified above) that is either no longer needed (excess, obsolete) or found to be unserviceable (worn, scrap) by City departments, in accordance with City policies and other legal mandates.
- Takes possession of the property from the department through transfer and attempts to transfer the property to another City department in need, sell the asset through bid or auction, or otherwise dispose of the property, in accordance with City policies and procedure.
- If proceeds result from the disposal, ensures that revenue is properly assigned in accordance with this procedure.

3.3.2 Department Directors

- Identify and process appropriate assets for retirement or disposal through trade-in, transfer to the PDMO, scrap metal/refuse contracts or sale—only with the approval of the Director of Finance & Administration (F&A).
- Record lost or stolen property in the department FAMS.
- If proceeds result from the disposal, assign and record the proceeds to the specific asset retired (if identifiable) in the department FAMS, in accordance with established data entry procedures.
- Review trends and analyze asset disposals on a regular periodic basis to determine the proper use of resources to the full extent of their useful lives.



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4 Disposal Criteria

Departments will minimize stocks of surplus property. Fixed assets and controlled items in the following categories will be retired or disposed of in the FAMS:

- *Excess* – Fixed assets or controlled items that are no longer needed (in excess of the department's requirements) but are still serviceable or useable.
- *Obsolete* – Fixed assets or controlled items that no longer meet department specifications or requirements but are still serviceable or useable.
- *Worn* – Fixed assets or controlled items that may still be operable but require excessive maintenance or repair (cost, manpower) to remain in an operable condition.
- *Damaged or Destroyed* – Fixed assets or controlled items that are not operable due to damage or accident and would require excessive repair (cost, manpower) to return the asset to serviceable condition.
- *Scrap* – Fixed assets or controlled items that no longer function, are unserviceable and have no market value except for their basic material content.
- *Lost or Stolen* – Fixed assets or controlled items that are assigned to or acquired by a department but have been lost or stolen and deemed unrecoverable.

5 Disposal Methods

Fixed assets or controlled items will be retired or disposed of in the FAMS using one of the following methods:

5.1 Departmental, Interdepartmental, or Intrafund Transfer

Excess or obsolete fixed assets or controlled items that are no longer required by one City department (sending department) will be transferred either to another group within the same department or to another City department in need (receiving department), in accordance with Section 11 (Transfer of Fixed Assets), if a department in need can be immediately identified by the sending department.

5.2 Transfer to the Property Disposal Management Office (PDMO)

Excess or obsolete fixed assets or controlled items that are no longer required by one City department will be transferred to the PDMO if another City department in need is not immediately identifiable, in accordance with Section 11 (Transfer of Fixed Assets).



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5.3 Sale

Fixed assets or controlled items will be sold whenever reasonable proceeds from such a process are anticipated. Sale and pricing methods will be subject to the approval of the Director of Finance & Administration and may include direct negotiation, sealed bid invitation, spot bidding, fixed-price sale, public auction, or out-of-cycle sale. Sales will be conducted by the PDMO, except where departments obtain specific approval from the Director of Finance & Administration.

5.4 Trade-In

Fixed assets or controlled items that are traded in or exchanged for a similar asset will be recorded as a sale (original asset) and acquisition through purchase (new asset) by the department in the FAMS.

5.5 Return to Supplier for Credit

Excess or obsolete fixed assets or controlled items may be returned, if possible, to the vendor from whom they were originally purchased.

5.6 Lost or Stolen

Fixed assets or controlled items that have been lost or stolen and that have been properly recorded and deemed unrecoverable, in accordance with subsection 11 (stolen) or subsection 12 (lost) in this section, will be retired.

5.7 Scrap

Fixed assets or controlled items that have been transferred to the PDMO and are found to be damaged, destroyed, or in any other way having no recoverable value will be accumulated and disposed of in accordance with existing scrap metal/refuse contracts or as otherwise directed by the Director of Finance & Administration.

Department Directors may authorize the disposal of fixed assets and controlled items in accordance with existing scrap metal/refuse contracts with appropriate justification and recommendation from the DFAC or as otherwise directed by the Director of Finance & Administration.

5.8 Donation

Surplus property items that have been transferred to PDMO, with an estimated market value of \$25 or less as determined by the Director of Finance and Administration, may be donated to a nonprofit corporation or government entity in accordance with procedures established in this section, for use in providing services benefiting the residents of the city



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or may be destroyed as scrap. Items with a market value of \$25 or less may be donated or destroyed only if the cost of maintaining the item in inventory or the probable cost of attempting to sell the item exceeds the market value of the item as determined by the Director of Finance and Administration.

PDMO will establish procedures, approved by the Director of F&A to donate surplus items to nonprofit corporations and government entities on a first-come-first-served as-is-where-is basis. Surplus items that may have low market values or high cost of warehousing and inventorying include, but are not limited to, used and soiled clothing and obsolete used cell phones. PDMO staff may identify other items at any time.

6 General Disposal Procedure

1. Upon determination that a fixed asset or controlled item is either no longer needed or found to be unserviceable, as applicable to the criteria in subsection 4 in this section, the Department Fixed Asset Coordinator (DFAC) will determine the appropriate method of retirement or disposal of the asset.
2. The DFAC will obtain the necessary approvals and authorizations (e.g., memos, director approvals) associated with the proposed disposal method.
3. The DFAC will initiate and process the appropriate forms required under Section 11 (Transfer of Fixed Assets) and Section 12 (Transfer and Removal of Surplus Property) and the appropriate FAMS capitalization form, and will follow the corresponding procedure for the transaction.
4. The PDMO will attempt to dispose of any and all excess or obsolete property in a manner that provides maximum benefit to the City, either through transfer of the property to other City departments in need or through transactions that provide the City with proceeds from the disposal.
5. The DFAC will record the retirement of all assets (except vehicles and rolling stock), including any proceeds, in the department FAMS in accordance with established data entry procedures.
6. The final disposal of assets will be entered in the PDMO FAMS following established data entry procedures.

7 Disposal by Transfer to the PDMO

Excess or obsolete fixed assets or controlled items that are no longer required by one City department will be transferred to the PDMO if another City department in need is not immediately identifiable. Refer to Section 12 (Transfer and Removal of Surplus Property).



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7.1 Disposal Procedure

1. When a department division or section identifies assets qualifying as excess or obsolete, the division manager will issue a written disposition request to the DFAC.
2. The DFAC will first determine whether another organizational unit within the department has use for the asset or whether another City department is in need of the asset. If a need is identified within the department or in another City department, the DFAC will consider an asset transfer and obtain approval in accordance with Section 11 (Transfer of Fixed Assets).
3. The DFAC will submit a proposed schedule of assets to be disposed of to the department director for approval using a Request for Transfer of City Surplus Property–Transfer or Disposal of Surplus Material (FA-97) in accordance with Section 12 (Transfer and Removal of Surplus Property).
4. The DFAC will sign and forward the FA-97 to the FAMS data entry clerk, who will print the asset listing.

Note: *Assets may not be disposed of until after inspection and acceptance by the PDMO.*

5. The DFAC will notify the PDMO and coordinate the removal of the asset to the PDMO in accordance with Section 12 (Transfer and Removal of Surplus Property).
6. The asset listing will be forwarded along with other required documentation to the custodial division moving the asset. The FA-97, containing an inventory listing of the items being transferred, will accompany the delivery.
7. The PDMO will review and note discrepancies or changes on the asset listing, paying particular attention to the condition of the asset.
8. The custodial division will sign the *Released By* line on the FA-97 when the asset is received by the PDMO.
9. Upon delivery of the physical asset, the designated and authorized receiving group of the PDMO will sign the *Received By* line on the FA-97, acknowledging receipt of the asset, and will record the transaction in the PDMO surplus inventory system using the sending department's original FAI/tag number.
10. The department copy of the signed FA-97 will be forwarded by the custodial division to the DFAC, along with the signed asset listing showing the actual delivery date.
11. The department data entry clerk will update the FAMS to reflect the changes on the asset listing, following established data entry procedures.



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12. The DFAC will retain a copy of the asset listing in a pending transfer file until the transaction has cleared on the receiving department side.
13. The sending DFAC will close out the transfer in the department's pending transfer file. (The sending department will require no further FAMS entries.)
14. The item will be entered in the PDMO FAMS following established data entry procedures.

7.2 Related Accounting Transactions/Net Effect

- The asset will be retired from the FAMS of the sending department at book value (\$0 proceeds) and any loss will be recorded.
- The asset will be acquired in the FAMS of the PDMO at \$0.
- No depreciation will be reported for the assets in the PDMO.
- The department recording the interdepartmental transfer to the PDMO will process no departmental billings or transactions.

8 Disposal by Sale

8.1 Vehicles and Rolling Stock

All rolling stock approved for sale by the department director will be sold at auction by Fleet Management, based on the disposition request from the custodial department and in accordance with the procedure below.

Note: Refer to Fleet Management policies and procedures for specific information covering disposals of rolling stock.

8.1.1 Disposal Procedure

1. Department directors will approve the retirement or disposal of all vehicles and rolling stock in their custody. In evaluating the retirement of a vehicle or rolling stock asset, consideration will be given to the criteria outlined in subsection 4 in this section, Fleet Management procedures, the recommendation of Fleet Management, and the recommendation of the DFAC or Department Vehicle Coordinator (DVC).

If the vehicle is deemed serviceable and need is identified within the department or in another City department, the DFAC will consider an asset transfer in accordance with Section 11 (Transfer of Fixed Assets).



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2. The DFAC or DVC will complete an Equipment Assignment/Form A/Disposal Data Sheet (ES-1) to be approved by the department director or a designee and forwarded to the City's contract auctioneer. The vehicle status indicated on the form will be *sell*.
3. The City's contract auctioneer will forward the ES-1 to Fleet Management upon receipt and acceptance of the unit, in accordance with Fleet Management procedures.
4. The DFAC or DVC will arrange for the custodial division to transport the vehicle to the contract auctioneer's facility. The ES-1 and other documentation will be provided to the custodial division for signatures of release and receipt.
5. The DFAC will maintain a copy of the ES-1 and asset listing in a pending sale file.
6. The custodial division will complete Section 3 of the ES-1 at the time the asset is released for transport. The status indicated on the form will be *sell*.
7. Upon delivery of the vehicle, the auctioneer's representative will sign at the appropriate location in Section 3 on the ES-1.
8. A copy of the signed ES-1 will be forwarded to Fleet Management for verification and processing. The vehicle will remain the department's responsibility while it is in the custody of the auctioneer for safekeeping, pending final sale.
9. Upon sale of the vehicle, Fleet Management will obtain all sales information within 5 working days, including sales price, shop number, commission, and any disposition costs incurred.
10. Fleet Management will collect and verify any proceeds received and provide this information (upon request) to the sending department in a Vehicle Disposal Proceeds memo.
11. Fleet Management will update the Fleet Management system asset record to reflect the actual sales information.
12. Monthly, the department will receive a monthly vehicle file (via diskette or over the WAN network) from Asset Management that includes all vehicle disposals for the department. The DFAC may obtain additional information for the Capitalization Form–Data Entry Form Fixed Asset Acquisitions (FA-1) from the DVC.
13. The DFAC will import and process the monthly vehicle file into the FAMS following established data entry procedures.



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8.1.2 Related Accounting Transactions/Net Effect

- The asset will be retired from the FAMS of the sending department, the proceeds recorded, and any gain or loss computed.
- Proceeds will be assigned directly to the asset being sold in the department FAMS.
- Fleet Management will transfer the sales proceeds for the unit, less associated costs, to the department *Sale of Obsolete City Vehicles Revenue* account (#8515) within 10 working days from the date of the sale.

8.2 Land, Buildings, and Other Real Estate

8.2.1 Disposal Procedure

1. The department director will notify the Director of the PW&E Real Estate Division and request the disposal of the property in accordance with City Charter and ordinance requirements and PW&E Real Estate Division procedures.
2. Prior to initiating the sale process, the PW&E Real Estate Division will circulate a listing of surplus City property to the operating City departments to determine whether such property might be needed to support a current or planned City program. If there is a need for the property within the City, a transfer will be completed in accordance with Section 11 (Transfer of Fixed Assets).
3. If there is no anticipated City use for the surplus property, the PW&E Real Estate Division will arrange for an appraisal to establish a fair market value for the land and present the proposed sale to City Council for approval of an auction or bid sale.
4. The sale will be conducted in accordance with PW&E Real Estate Division policies and procedures.
5. Offers will initially be presented to the director of the custodial department for acceptance and approval. Once an approved offer to buy is received and accepted, a proposal and sales agreement will be presented by the PW&E Real Estate Division to City Council for approval. If the proposal and sales agreement are approved by City Council, the sale transaction will be completed in accordance with PW&E Real Estate Division procedures.
6. The PW&E Real Estate Division will forward to the custodial department a copy of the final sales agreement, including the final sales price and any selling costs.
7. The DFAC will initiate a Capitalization Form–Disposals/Transfers/Mass Updates (FA-2) to process the disposal.



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8. The FAMS record will be updated following established data entry procedures.

8.2.2 Related Accounting Transactions/Net Effect

- The asset will be retired from the FAMS of the sending department, the proceeds recorded, and any gain or loss computed.
- Proceeds will be assigned directly to the asset being sold in the department FAMS.
- The PW&E Real Estate Division will deposit the funds when they are received from the buyer and will credit the department revenue account specified in the documentation submitted with the Request for Council Action (RCA) to authorize the sale.

8.3 Machinery and Equipment

The sale of surplus machinery and equipment is completed by the F&A PDMO. Circumstances with certain types of equipment may require the coordination between the selling department and PDMO to sell and dispose of the equipment on site.

8.3.1 Disposal Procedure

1. An FA-2 to process the disposal will be initiated and completed by the DFAC.
2. The department will determine if a need exists for the equipment within the department or within the City. If no need exists, the department will contact the PDMO to coordinate the sale of the asset and to determine if the asset should be transported to the warehouse facility or sold on site.
3. Procedures for the transfer of surplus assets to the warehouse to be sold are outlined in Section 12 (Transfer and Removal of Surplus Property). If the on-site sale option is chosen, the remaining steps below should be followed.
4. Asset information will be provided to the PDMO for advertising purposes. The department or the PDMO may identify potential buyers for appropriate contact prior to the sale.
5. Assets will be made available for viewing during regular business hours prior to the sale.
6. If the sale of the asset is to another government entity, appropriate documentation and revenue account information must be submitted with the Request for Council Action (RCA) to authorize the sale.



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8.3.2 Related Accounting Transactions/Net Effect

- The asset will be retired from the FAMS of the selling department, the proceeds recorded, and any gain or loss computed.
- Proceeds will be assigned directly to the asset being sold in the department FAMS.

9 Disposal by Trade-In

All trade-ins, as dispositions of City property, must be detailed and presented to Procurement Services for approval as a part of the purchase of the new equipment.

9.1 *Disposal Procedure*

1. An FA-2 to process the disposal will be initiated and completed by the DFAC.
2. The trade-in will be processed as a disposition through sale, as outlined in subsection 8 in this section.
3. When the disposal involves an exchange (a trade-in of similar assets with no cash differential), the cost of the acquired asset will be recorded at the book value of the surrendered asset, and the FAMS record will be updated following established data entry procedures.
4. When the disposal involves a trade-in of assets with a cash differential, the acquired asset is recorded as the sum of the book value of the asset surrendered plus the cash paid. The FAMS record will be updated following established data entry procedures, and the new item will be added to the FAMS at its original cost before the trade-in allowance.

9.2 *Related Accounting Transactions/Net Effect*

- The asset being traded in or exchanged will be retired from the FAMS at book value net of any trade-in allowances (as proceeds), and any gain or loss will be recorded.
- The new acquired asset will be recorded at its original cost before trade-in allowances.

10 Disposal by Return to Supplier for Credit

10.1 *Disposal Procedure*

When a disposal involves obsolete property that has never been used (e.g., spare parts), the DFAC will attempt to return the merchandise to the vendor from whom it was originally purchased. Specific procedures for such returns, including required approvals, will be provided by the Purchasing Department.



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Upon approval, the FA-2 to process the disposal will be initiated and completed by the DFAC in similar manner to a sale transaction. The FAMS record will be updated following established data entry procedures.

10.2 Related Accounting Transactions/Net Effect

The asset will be retired from the department or PDMO FAMS with proceeds in the amount of the credit provided by the vendor.

11 Disposal of Stolen Assets

11.1 Disposal Procedure

1. The custodial division will notify the DFAC immediately, documenting the status of the item, when there is evidence of theft or belief that the item has been stolen.
2. When an asset is identified as stolen, the DFAC will file a police report within 24 hours of the discovery. The report will contain the following information:
 - Tag number (if known)
 - Asset description
 - Date that the asset was reported missing
 - Any additional pertinent information regarding the loss or disappearance
3. An FA-2 to process the disposal will be initiated and completed by the DFAC.
4. The FAMS record will be updated following established data entry procedures and will include the following information:
 - *Transaction Date* – Today's date
 - *Disposal Method* – *Stolen*
 - *Proceeds* – \$0
 - *Gain/Loss Book Value* – (Calculated; no entry)
 - *Reason* – Police case number

11.2 Related Accounting Transactions/Net Effect

The asset will be retired from the department FAMS at book value (\$0 proceeds).



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12 Disposal of Missing Assets

12.1 Disposal Procedure

1. When an asset is identified as lost or unconfirmed during the physical inventory process, the custodial division will inform the DFAC of the following:
 - Tag number (if known)
 - Asset description
 - Date that the asset was reported missing
 - Any additional pertinent information regarding the loss or disappearance
2. The item will be transferred in the FAMS to the designated location for unconfirmed property. The FAMS record will be updated following established data entry procedures and physical inventory instructions. The *Transaction Date* will be the date the asset was found missing. The asset will remain at this location until the next inventory is completed.
3. Any assets found will be transferred to the department location.
4. The division will explain in detail why the missing items cannot be located, supply applicable supporting documentation, and recommend to the department director either that these items remain active in the system or that their status be changed to *inactive* (dispose).
5. The missing items should not remain active in the FAMS for more than two inventory cycles.

12.2 Related Accounting Transactions/Net Effect

The asset will be retired from the department FAMS at book value (\$0 proceeds).



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13 Disposal of Damaged, Destroyed, or Cannibalized Assets (Including Scrap)

13.1 Disposal Procedure

When an asset of significant value sustains major damage by natural causes, accident, vandalism, etc., and, in the judgment of the manager of the custodial division or section, the estimated costs of repairs are great enough to raise a question as to whether the asset should be repaired or disposed of, the following procedure will apply. (This procedure also applies to nonworking or damaged assets that are cannibalized for parts.)

1. An asset identified by the division as damaged will be brought to the attention of the DFAC by a memo.
2. The DFAC will provide the director with recommendations for handling the damaged asset (e.g., a repair or disposal decision based on cost-benefit analysis).
3. The director will decide upon the appropriate action for the damaged item.
4. If the asset cannot be returned to service, the DFAC, with the approval of the department director, may transfer the asset to the PDMO (see subsection 7 in this section for final disposal) or accumulate and dispose of in accordance with existing scrap metal/refuse contracts.
5. Fixed assets or controlled items that have been transferred to the PDMO as excess or obsolete and are found to have no recoverable valuable will be deemed to be *scrap* and will be accumulated and disposed of in accordance with existing scrap metal/refuse contracts or as otherwise directed by the Director of Finance & Administration.

13.2 Related Accounting Transactions/Net Effect

The asset will be retired from the department FAMS at book value (\$0 proceeds).

14 Abandonment of Fixed Assets

14.1 Disposal Procedure

1. If a department identifies an asset (e.g., during the physical inventory process) that has been abandoned but not recorded as idle or surplus in the FAMS, the custodial division will issue a memo to the DFAC detailing the following:
 - Asset description
 - Tag number (if any)
 - Location code



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2. If research determines the department has not formally acquired the asset, it will be deemed abandoned property and will be reported to F&A.
3. If no other City department claims a physical inventory exception for the item, the DFAC will submit a recommendation of action to the department director to transfer the abandoned property to the PDMO.
4. Upon approval, the abandoned property will be transferred to the PDMO in accordance with the general procedure outlined in subsection 7 in this section.

14.2 Related Accounting Transactions/Net Effect

Since the property is not recorded in the FAMS, no disposal entry will be made in the sending department FAMS.

15 Disposition of Federal and Grant Funded Assets

No disposition of federal or grant funded assets will be initiated unless it is allowable in accordance with the guidelines outlined in the Office of Management and Budget (OMB) *Circular A-102* (revised) and the *Uniform Requirements for Grants and Cooperative Agreements with State and Local Governments*, subject to the specific guidelines of the grantor agency.

Additionally, no disposition of federal or grant funded assets will be initiated unless the City's grant program administrator and the department director of the grantee department have given prior approval to such disposition.

If proceeds result from the disposition through sale of grant funded property, the DFAC, working with the department grants administration, will ensure that proper notifications are provided to and instructions and approvals obtained from the grantor agency concerning how proceeds are to be handled. Depending upon the grantor agency or source involved and the dollar level of the proceeds, funds may or may not need to be returned or credited to the grantor agency or source.

Where possible and allowable upon the closing of a grant, the City will seek to transfer the property to another allowable grant in lieu of sale or other disposition method.

16 Disposition of low value items by Donation

Property Disposal Management Office may receive surplus items with an estimated market value of \$25 or less. These items will be made available for donation to nonprofit corporations or government entities providing services benefiting the residents of the city. The following items must be completed prior to any transfer of surplus items by donation.



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- A memo from PDMO to Director of F&A identifying items with low market value and Director must approve inventory of items to be made available.
- A written request from nonprofit corporation or government entity on letterhead signed by a representative duly authorized to make such a request and describe the program(s) that will benefit from the donation. Proof of nonprofit status must be attached to letter.
- A release form, identifying surplus property items being transferred and signed by receiving organization, will be designated by PDMO.

Surplus property items will be made available on a first-come-first-served and as-is-where-is basis. Organizations may be contacted directly by PDMO staff to advise them of availability of surplus items that may benefit their programs according to types of surplus items and known programs.