



ACCOUNTING POLICY AND PROCEDURES (APP) MANUAL

TOPIC: Section 8 – Capital Assets 5.0	EFFECTIVE DATE: 02/28/1989
TITLE: Disposition of State-Owned Assets	REVISION DATE: 05/24/2012
AUTHORIZED BY: Deputy Director, Bureau of Fiscal Services	

POLICY

Department of Health Services (DHS) organizations need to be careful to comply with all Wisconsin and Federal laws when disposing of state-owned assets.

If an asset is purchased with federal funds, the safekeeping and disposal of the asset must be handled in accordance with federal requirements. The Procedures section of this APP goes into more detail on the Federal requirements. If you have questions regarding specific grant or contract requirements, contact the Program and Federal Accounting Section Chief in the Division of Enterprise Services.

The Department of Administration's (DOA) Division of Enterprise Operations administers the surplus property program.

The following methods are **acceptable** methods of disposal:

1. Transfer or sale of property to another state agency.
2. Transfer or sale to a municipality as defined in s. 66.0301(1).
3. Sale to the public by one of the following:
 - a. Competitive bid
 - b. Public auction (electronic event or tangible event at a public location)
 - c. Open negotiated & documented sale
 - d. Offer to the public at a fixed sale price
4. Trade-in on replacement equipment
5. Donation to a verified nonprofit organization as defined in s.181.0103 (17), Wis. Stats., organized under Chapter 181. (see note 2 below)
6. Sale for salvage value
7. Scrap for no or limited value
8. Destruction when security/confidentiality is required or when other methods of disposal might be hazardous to the public.

Additional notes on disposals are:

1. Donations of state property to private individuals, for-profit organizations or state employees are **prohibited**.
2. Donations to non-profit organizations are permitted under the following circumstances:
 - a. It **must** be advertised and made in a **competitive** manner. Examples of acceptable advertising methods are in newspapers with general circulation, internet announcement, or bulletin board posting.
 - b. Verification of nonprofit status may be required.
3. **Sales to state employees are prohibited unless items are sold at announced public sales or auctions.**
4. There are restrictions on the disposal of certain major appliances, including air conditioners, clothes washers and dryers, dishwashers, freezers, microwave ovens, ovens, refrigerators and stoves. See Chapter 287 of the Wisconsin Statutes for more information.
5. Proceeds from the disposal of state-owned property are handled differently depending on the classification of the property disposed of and the type of appropriation that was used to originally purchase the asset. The Procedures Section of this APP goes into more detail on accounting for proceeds.
6. For questions, check DOA's Surplus Property Program website: <http://www.doa.state.wi.us/Divisions/Enterprise-Operations/State-Bureau-of-Procurement/Special-Programs/State-and-Federal-Surplus-Property>.

PROCEDURES

According to the State Procurement Manual part PRO-F-3, the state surplus property disposal procedures are:

1. DHS organizations have the authority to dispose of property with a current value of \$5,000 or less. No approval or reporting is necessary.
2. Asset disposals with a current value over \$5,000 through \$25,000 do not require a pre-sale approval. However, a summary report is required to be submitted to the DOA – State Surplus Property Program (SSPP) by July 31st of the following fiscal year.
3. Assets with an original cost or current value over \$25,000 require approval from DOA/SSPP with the Surplus Property Declaration/Authorization report (form DOA-3178) prior to disposal.

IT Hardware Redistribution

DHS has a large investment in computer hardware that must be managed wisely. Refer to the IT Hardware Redeployment and Redistribution Policy 1.03 at the following website:

http://dhsweb.dhs.wistate.us/it/Policies/Policies&Standards/1_03_Redistribution/1-3-pb.pdf.

That policy describes how DHS will redistribute IT Hardware to maximize its useful life.

Proceeds from the disposal of state-owned property

Accounting for proceeds from the disposal of state-owned property depends on the type of disposal it is and the appropriation used to purchase the asset.

1. State Surplus Property

Section 16.72(4) (b) of the Wisconsin Statutes requires the net proceeds from the sale of surplus property be deposited in the Budget Stabilization Fund (Fund 286). DHS has setup Appropriation 963, account number 94400, project 000, RA 200, in Organization 8200 for depositing proceeds that need to be deposited into the Budget Stabilization Fund. Periodically, DOA will transfer the balance into the Budget Stabilization Fund.

Surplus property is defined as an asset that will **not** be replaced with a functionally similar asset within the standard replacement schedule **and** has one or more of the following characteristics:

- The asset is no longer functioning in whole or in part.
- The asset is technologically or mechanically obsolete.
- The asset is no longer in active use by the agency.
- The asset is in excess of agency needs in the foreseeable future.

If the asset was purchased with Federal dollars or from a sub-grant from the Federal Government then account for the proceeds in accordance with the requirements of the related federal program.

If the asset was purchased with GPR, non-Federal PR, or non-Federal SEG funds then the proceeds need to be transferred to the Budget Stabilization Fund. If the asset was purchased from a PR appropriation, but the funds are from a sub-grant from the Federal government then account for the proceeds similar to assets purchased with Federal dollars. Note: Northern Wisconsin Center has an exception – see Wisconsin Statutes 51.06(6).

Proceeds, even if they were deposited into the Budget Stabilization Fund, should be included in the calculation of the gain/loss on disposal of capital assets.

2. State Replacement Property

State replacement property is an asset that will be replaced with a functionally similar asset within the standard replacement schedule **and** has one or more of the following characteristics:

- The asset is due for replacement.
- The asset meets established Department replacement criteria.
- The asset is technologically or mechanically obsolete.
- The asset is no longer functioning in whole or in part.

If the asset was purchased with GPR funds and the proceeds were from the disposal of State Replacement Property then record the proceeds as General Purpose Revenues – Earned.

If the asset was purchased with non-Federal PR or non-Federal SEG and the proceeds are from the disposal of State Replacement Property then record the proceeds as revenue in the appropriation that originally purchased the property.

3. Gifted or Donated Property

If property that was gifted or donated was never put into programmatic use and is sold, then the proceeds should go to the recipient agency. The reason for this is that it is assumed that the donor's intent was meant for the benefit of the agency.

If the gifted or donated property is put into programmatic use and is later sold, then the proceeds should be handled similar to a non-federally funded state purchased asset.

4. Net Proceeds

Net proceeds are calculated by deducting the handling and selling costs from sales proceeds. The following are examples of allowable handling and selling costs:

- Staff time (including overtime)
- Storage expenses
- Sales commissions
- Transportation expenses
- Legal expenses
- Insurance expenses
- Preparation expenses
- Repayment of financial lease obligations

See DOA's [State Accounting Manual, Section VI Revenue; Sub-Section 11 – Surplus Property Proceeds](#) for additional information on how to handle proceeds.

Assets Purchased with Federal Funds

An asset purchased with federal funds must follow federal requirements regarding the safekeeping and disposal of the asset. The requirements that need to be followed are determined by the Federal grant/agency which provided the funds to purchase the asset and the grant itself. Property standards used to be a part of the Office of Management and Budget (OMB)'s Common Rule. However, OMB has required larger federal agencies to codify the common rule. The majority of DHS' grants are from the Centers for Disease Control in the United States (US) Department of Health and Human Services (DHHS). Requirements for the DHHS grants can be found in 45 CFR 92.32. Paragraph (b) of that section reads:

- (b) States. A State will use, manage, and dispose of equipment acquired under a grant by the State in accordance with State laws and procedures.

The same language is found in 7 CFR 3016.32 for United States Department of Agriculture (USDA) grants. The preceding indicates that there are no federal agency requirements regarding disposition of grant property obtained through the DHHS or the USDA. However, the individual grants through which the property was obtained should be reviewed to see if there are any requirements regarding property specific to that grant.

If there are no requirements specific to the grant, deposit the net proceeds into the general fund per Chapter 16.848(4) of the Wisconsin Statutes. The only exception to that is when the property is from the Northern Center for the Developmentally Disabled per Chapter 51.06(6) of the Wisconsin Statutes. Proceeds do need to be deposited into the Budget Stabilization Fund.

REFERENCES

Code of Federal Regulations 45 CFR 92.32

Code of Federal Regulations 7 CFR 3016.32

State Procurement Manual [PRO-F-1](#) – Surplus Property Disposal – Vehicles and Related Equipment

State Procurement Manual [PRO-F-3](#) – Surplus Property Disposal – Non-vehicles

Wis. Stat. §§ [16.72 \(4\) \(b\)](#); [16.72 \(5\) \(a\), \(b\), \(c\)](#); [51.06 \(6\)](#); [66.0301 \(1\)](#); [77.54 \(7m\)](#)

CONTACTS

[Section Chief, Cost Allocation and Financial Reporting Section](#)

[Capital Asset Accountant](#)

[Surplus Property Program Manager](#)

[BITS Administrator](#)

[Fleet Manager](#)