

# **DISPOSAL OF SURPLUS PROPERTY**

## **POLICY**

Capital and non-capital assets are all University property and are subject to the same procedures for disposal except for library books. These guidelines apply without regard to original funding source.

## **PROCEDURE**

The State of Texas permits the Property Manager to dispose of surplus property. Only the authorized Property Manager may sell or, by any other means, dispose of University property. No department or other campus body may hold its own auction or sale of any kind without the approval of the Property Manager with the exception of the Library books in which the Library Director will be responsible for the disposal.

Disposal procedures depend upon title conditions, and include surplus equipment, cannibalization, sale, trade-ins and exchanges for scrap disposal sale. In all of these cases Property Management approval is required, to ensure that all state guidelines and federal regulations are followed.

## **SURPLUS INVENTORY**

Assets should be transferred to Property Management for disposal. When a department has assets or large quantities of supplies to dispose of, this needs to be communicated to Property Management. A "Work Order" form must be completed for Physical Plant worker to pick-up merchandise. However, if a department is transferring merchandise to Property Management, an appointment must be scheduled.

Property Management can assess the condition and status of the assets or supplies, and determine if there is a need on campus, or if it should be sold at auction. Property Management may determine that it is waste material or recyclable and should be disposed as such. **Only the Property Management Department can sell or dispose of assets.**

**❖ Capital and Controlled Property can leave the university system in one of four ways:**

1. Recycling of data processing equipment

- a. Departments sending equipment to the Surplus Property Warehouse should complete form PRP-1A ([http://www.uh.edu/finance/pages/PM\\_Website.htm](http://www.uh.edu/finance/pages/PM_Website.htm)).
- b. However, if any the property being transferred are used for data processing, form PRP-16B for Transfer of Data Processing Equipment must be filled out completely (Items 1 through 9) and SECURELY attach to asset along with the form PRP-1A.
- c. Incomplete forms (missing UH tag number and/or description that contain both the serial number and model number) cannot be processed by Property Management.

2. Disposal by auctioneer

- a. Property Management arranges for the periodic disposal of surplus assets by auction.
- b. Assets in the Surplus Property Warehouse are periodically sent to auction companies for disposal.

Effective February 24, 2015, Departmental sales of items will no longer be approved. Surplus property must be disposed through the use of Property Management's contracted public auctioneers. Property Management does not engage in direct sales of surplus assets to individuals, businesses, or corporations.

3. Transfer of equipment to other State Agencies

- a. Due to the specific reporting requirements for transfers of equipment to other state agencies, all such transfers must be managed by Property Management. This includes the transfer of sponsored project related equipment.
- b. Property Management is responsible for:
  - Reviewing each transfer, and ensure there is no risk (source of funding)
  - Ensuring that all applicable requirements are met,
  - Entering such transfers into to the State Property Accounting System, and
  - Obtaining written approval from DOR (Division of Research) for equipment purchased using any sponsored funds.
- c. The transfer of data processing equipment has specific requirements. See the section on “Transfer or Disposal of Data Processing Equipment” for details.

4. Transfer of equipment to public schools or school districts, or assistance organizations designated by the school district

- a. Property Management is allowed to make direct transfers of materials or equipment that can be used for instructional purposes to a public school or school district, or an assistance organization designated by the school district at a price or for other consideration to which the system, institution, or agency and the public school or school district or the assistance organization agree or for no consideration as the system, institution, or agency determines appropriate.
  - b. All such transfers must be managed by Property Management.
  - c. Written approval is required from DOR (Division of Research) for equipment purchased using any sponsored funds.
  - d. The transfer of data processing equipment has specific requirements. See the section on “Transfer or Disposal of Data Processing Equipment” for details.
- ❖ **Note:** The disposition of surplus assets in any manner other than direct sale to individual, business, or corporation are not considered sales. The Property Management will engage professional auction companies to sell excess equipment and the net sales proceeds are recovery of the costs of storage and disposal of the assets, and are deposited into an institutional cost center.

## **CANNIBALIZATION**

Capital and non-capital assets for which the University retains title may be disposed for purpose of cannibalization. Property Custodian may request that specific obsolete items of property be deleted from the Property Manager's inventory records. Property Custodian must send a completed Form PRP-1A to Property Management for permission to cannibalize. When permission is authorized, the Property Management will remove the item from the inventory records.

- ❖ **Note:** Cannibalization requests for any equipment valued at \$10,000.00 or more must be physically inspected by Property Management to ensure obsolesces or non-functionality of equipment and proper disposition of components.

## **TRADE-INS AND EXCHANGES**

**-Trade-In:** In the event property is to be used as a trade-in for the purchase of a new asset, the Property Manager must be advised by department before any order is placed. The purchased requisition should include all trade-in information pertaining to the asset: The University of Houston tag number, serial number, model number, manufacture's name, age, condition and a realistic estimate of the asset's value. All University tags must be removed and returned to Property Management before the property is turned over to the vendor.

**-Exchanges:** University capital equipment delivered to the vendor for service or repair may be replaced by the vendor, on a permanent basis, due to repair turnaround or repair cost. The equipment replacement becomes capital equipment to the University replacing the exchanged equipment. Information about property that has been exchanged as a result of a repair request must be documented by memo to the Property Manager. Vendors may exchange property for quicker repair turnaround or repair cost feasibility. In some cases the vendor may return property which is not identical to the item sent for repair. In the event property is exchanged, the department must request the University of Houston tag be returned from the vendor and forwarded to Property Management. The Property Manager will initiate all necessary changes to property records (if necessary). The exchanged fixed asset will remain in the department inventory at the capital value of the original fixed asset. Exchanges fees are considered repair of maintenance and will not be capitalized.

## **SCRAP DISPOSAL**

Final disposal of scrap materials resulting from departmental remodeling or renovations is at the discretion of the Property Manager.