



## **Internal Operating POLICY**

**Section: Office of the Controller**

**Subject: Fixed Assets**

**Approved By: DENR Secretary**

**Revised: January 1, 2013**

**Eff. Date: July 7, 1995**

### **PURPOSE**

To establish policy and procedures for the acquisition, inventory, transfer, and disposition of fixed assets, State and Federal, for the North Carolina Department of Environment and Natural Resources.

### **POLICY**

The Controller has the custodial and supervisory duties of the fixed asset system. The Controller has designated supervisory responsibility of the fixed asset control to the Assistant Controller. The Department's policy is to use the Fixed Asset System (FAS) of the North Carolina Accounting System (NCAS) to track the Department's fixed assets. By using the NCAS FAS module, the Fixed Asset Section of the Controller's Office can ensure that all fixed assets (inventoried and capitalized) are accounted for. The section must also ensure that the Fixed Asset System balances to the NC Accounting System and that all NCAS expenses are properly coded to fixed assets, if applicable.



## **Internal Operating PROCEDURES**

**Section: Office of the Controller**

**Subject: Fixed Assets**

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The procedures that outline the use of the Fixed Asset System are detailed in the following Table of Contents:

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## **Fixed Assets Defined**

A **fixed asset** is a long-lived tangible asset obtained or controlled as a result of past transactions, events or circumstances. Fixed assets are broken into two categories:

capitalized assets  
and  
inventoried assets

### **Capitalized Fixed Assets**

A **capitalized fixed asset** is tangible property, such as land, buildings and equipment, with a cost greater than or equal to \$5,000 and a useful life of more than one year. Capitalized fixed assets are acquired for use in normal operations and are not for resale. These assets are long-term in nature and may be subject to depreciation, depending on which fund was used to record the asset. Only assets purchased for \$5,000 and over are capitalized.

Assets purchased with General Funds are recorded in the General Fixed Assets Account Group. Depreciation of general fixed assets should not be recorded in the accounts of governmental funds.

### **Inventoried Fixed Assets**

**Inventoried Fixed Assets** are those items valued at \$500 through \$4,999.99 and recorded for inventory purposes only. These items are not capitalized and are not subject to depreciation. This allows management to keep items on inventory, yet have a consistent capitalization limit statewide for the comprehensive annual financial report (CAFR). Inventoried assets will be maintained on the fixed asset system if their cost is \$500 through \$4,999.99 with the following exceptions:

1. All weapons must be inventoried regardless of cost. Weapons whose cost is greater than or equal to \$5,000 are capitalized,
2. All land must be inventoried regardless of cost, and
3. All vehicles with a license plate and a cost between \$0 and \$4,999 must also be inventoried. Vehicles with a cost greater than \$5,000 are capitalized.

### **Expensed Items**

**Expensed Items** are items purchased for less than \$500 that will not be posted to the fixed asset system unless otherwise noted to include. Further, items originally purchased for less than \$500 will not be added to the fixed asset system when an addition or improvement to this item causes the item to be in excess of \$500.

## Generally Accepted Accounting Principles

According to **Generally Accepted Accounting Principles (GAAP)**, record fixed assets at historical cost or estimated historical costs. If **purchasing a new asset**, the cost is the amount paid for the asset including sales tax and freight. The amount recorded includes the total purchase price, less any discounts. It also includes any payment required to place the asset into its intended state of operation such as labor to install. If it is a **donated asset**, the cost is defined as the fair market value on the date donated. The fair market value is the estimated amount of the asset for which it would be exchanged between a willing buyer and seller when neither are forced into the exchange. Both parties should have knowledge of all facts and consider it an equitable exchange.

## Exceptions

1. Exceptions to the minimum capitalization limit will require written approval by the Office of the State Controller. After the Office of the State Controller's review and approval, the request will be sent to the Department of Administration's State Purchasing Officer for approval. All such requests for exceptions must be submitted to the Office of the State Controller through the Chief Fiscal Officer (Controller) for the Department of Environment and Natural Resources.
2. The Department of Environment and Natural Resources Office of the Controller Exception list can be found on our OOC website:  
[http://portal.ncdenr.org/c/document\\_library/get\\_file?p\\_l\\_id=1394695&folderId=1408458&name=DLE-23212.pdf](http://portal.ncdenr.org/c/document_library/get_file?p_l_id=1394695&folderId=1408458&name=DLE-23212.pdf)
3. All land is entered on the fixed asset system, regardless of cost.

## Level of Control

The fixed asset system will be maintained at the fund level of control. For the Department of Environment and Natural Resources, each division needs to maintain fixed assets based on location so that accurate inventory reports can be printed.

## **Components**

Fixed assets containing separate physical parts (i.e. CPU, monitor and keyboard) are no longer considered one asset having one or more **components**.

- Each separate physical part is considered to be a separate asset and is individually evaluated according to the inventory/capitalization threshold in determining if it should be recorded on the Fixed Asset System.
- If each separate asset exceeds the inventory/capitalization threshold, it is recorded in the Fixed Asset System and receives its own (FAS) number and tag.

The **total invoice cost** must be allocated to each separate physical part of the asset when the invoice lists or groups all the items on the invoice as one lump sum price.

Once fixed assets are recorded in the FAS, **any** adjustment to the values or useful lives require a fixed asset input form indicating the change and should then be forwarded to the Fixed Asset section.

### **Fixed Asset Numbers**

- **Fixed Asset Numbers** are assigned to each division by the Fixed Asset Section of the Controller's Office. The Fixed Asset officer at each division will assign these numbers to their division. However, it will be the responsibility of the individual divisions to follow up on any asset for which they have not received a numbered fixed asset tag in a timely manner or which has not been added to their fixed asset report.

## **Buildings**

Buildings are structures that are permanent in nature and have an asset life of two or more years. They are subject to depreciation. According to **G.S. 143-336**,

*"State buildings mean all State buildings, utilities, and other property developments except the State Legislative Building, railroads, highway structures and bridge structures."*

### **Guidelines**

- Buildings valued at \$5,000 or greater **are capitalized**. Those purchased for \$500 to \$4,999.99 are recorded on the fixed asset system for inventory purposes only. They **are not capitalized**. Those purchased for less than \$500 are expensed.

**Note:** *Any exception to these guidelines must be approved by the **Department's Controller** and then by the **Office of State Controller**.*

- Buildings are recorded at the purchase price or construction cost. Cost should include all charges necessary to put the building or structure into its intended state of operation (i.e. professional fees for brokers, attorneys, architects, appraisers, financial advisors, insurance or interest during the period of construction, etc.). Permanently attached fixtures to the building, if over \$5,000 (i.e. heating and ventilation systems, roofs, plumbing, carpet, and electrical systems), should be included in the cost of the building.
- **Fixtures** permanently attached to the building, i.e. heating and ventilation systems, should be included in the cost of the building.
- **Donated buildings** should be recorded at the appraised fair market value at the time the building is donated.
- If **using in-house resources** such as labor, materials, and supplies to construct or add on to the building, these costs are to be included in the cost of the asset. Capitalize and record the cost as if outside sources were used.
- If an **addition to a building** is constructed, its cost is added to the fixed asset system as a separate asset when such costs meet the inventory/capitalization threshold. The addition, meeting the inventory/capitalization threshold, should receive its own fixed asset number.
- **Maintenance expenses** are incurred to keep assets in normal operating condition and to help maintain the original use of the building. Maintenance expenses do not extend the life of the building beyond the expected useful life at acquisition. Maintenance costs are expensed and not capitalized. Such costs are charged to expenditure objects in the 532XXX series.

- Buildings **need not** be tagged. The asset number is still recorded in the system, but not physically attached to the asset. The legal description, including address and plat location found in the county Register of Deeds records, must be recorded in the asset record to identify it as being State property.
- **Rehabilitation costs** are incurred to restore or improve buildings or other capitalized assets acquired in a rundown condition. Property to be rehabilitated is usually purchased at a discounted price. The reason for the lower price is that considerable money will need to be spent to rehabilitate the asset before it can be placed into service. The rehabilitation costs incurred become part of the cost of the asset and are capitalized according to the same criteria as other capitalized assets. Normally, the costs take place over an extended period. Care must be taken to distinguish between maintenance and rehabilitation during this period.
- Buildings **are included** in the annual inventory of the Department of Environment and Natural Resources.
- The **long term construction costs** of buildings are paid from capital improvement funds. Costs are accumulated while the building is under construction. Annually, they are recorded in the Construction in Progress account. When the Department either moves in the building or construction is completed, costs should be reclassified from the Construction in Progress account to the fixed asset building account and recorded on the Fixed Asset System.
- **Renovation and improvement costs** are incurred to restore or improve buildings or other capitalized assets. These costs involve the substitution of old parts for new ones and increase the economic benefit to be derived from the asset. Two criteria must be met in determining whether or not a renovation or improvement cost should be capitalized.
  1. The first criteria is whether the expenditure significantly extends the useful life of the original asset.
  2. The second is if the expenditure exceeds the \$5 000 capitalization threshold established for all fixed assets.

*If both of these criteria are met, the expenditure must be capitalized.* If parts of an asset are removed during a renovation project, the original cost of the part of the asset being removed (less depreciation, if applicable) should be eliminated from the FAS. Costs associated with removing structures to be replaced in the renovation process should be expensed. The costs of the renovation should be listed as a separate asset in the building section of FAS.

## Procedures

1. In general, buildings are purchased or constructed through the **Capital Improvement Fund**. The costs are accumulated by budget code and center (project) by the Capital Improvement Accounting Office.
2. The DENR Controller's Office will maintain records for the buildings that have been completed and those that are still under construction. At fiscal year end, the Fiscal Accountant in the DENR Controller's Office will add completed buildings to the fixed asset system according to the Guidelines section above and adjust the Construction in Progress account for the cost of buildings still under construction.
3. The DENR Controller's Office **must be notified** by the Divisions of the purchase, transfer to or from, and disposition of any land or buildings. This process is necessary in order to maintain accurate fixed asset information for financial statement purposes.

## Land

**Land** is the real estate property held by the Department of Environment and Natural Resources. Land can be purchased or otherwise acquired. All land is entered on the fixed asset system, regardless of cost. Land is entered in the fixed asset system when the Department of Environment and Natural Resources takes ownership of the property.

1. **Purchased land** should be entered at its cost. Cost includes its purchase price plus any other charges necessary to purchase the land. Other charges include costs such as site preparation expenditures, professional fees, attorney fees, deed stamps, appraisals, surveys, and legal claims directly attributable to the land acquisition. If land and building(s) are acquired as a single parcel, the cost should be allocated between the land and building (s) and recorded in the appropriate accounts.
2. **Donated land** should be recorded at the appraised market value at the time of donation.

## **Renovations and Improvements**

**Renovations** increase the physical size or operating capabilities of an asset through expansion or extension. They do not involve replacements.

**Improvements** either extend the useful life of an existing fixed asset, increase the normal rate of output, lower an asset's operating cost, or increase efficiency.

**Note:** *Renovations and improvement costs are different from maintenance. Maintenance costs are incurred to keep the asset in normal operating condition.*

Two criteria must be met in determining whether or not a renovation or improvement cost should be capitalized.

- The first criteria is whether the expenditure significantly extends the useful life of the original asset.
- The second is if the expenditure meets the \$5,000 capitalization threshold established for all fixed assets.

**If both these criteria are met, the expenditure must be capitalized.** Expenditures not meeting both of these criteria should be classified as a maintenance expense. Care must be taken when distinguishing between maintenance, renovation, and improvement costs. Assets valued below \$5,000 are expensed; they are not capitalized or depreciated.

If part of an asset is removed during a renovation or improvement, the cost of the removed part must also be removed from the Fixed Asset System.

- Use all of the available information in determining the original cost of the part being removed.
- The removal costs associated with the renovation should be expensed.

## **Maintenance**

Maintenance expenses:

- are incurred to keep assets in normal operating condition,
- are incurred to help maintain the original intended use of the asset,
- are incurred to keep the asset operational throughout its useful life, and
- do not extend the life of the asset beyond the expected useful life at acquisition.

**Note:** *Maintenance costs are expensed and not capitalized. The costs are charged to expenditure accounts in the 532XXX series and can be found on the OSC website at*

[http://www.ncosc.net/sigdocs/sig\\_docs/data\\_elements/account/sigExpenditure\\_Accounts.html](http://www.ncosc.net/sigdocs/sig_docs/data_elements/account/sigExpenditure_Accounts.html).

It is recommended that management review the maintenance account at least annually to consider:

- Replacing an asset whose maintenance costs exceed those of other similar assets,
- Reducing maintenance costs by using a service contract,
- Replacing a service contract with a repair-as-needed program, or
- Reclassifying expenditures charged to maintenance that meet capitalization requirements.

## **Lease Agreements**

A lease is an agreement between a lessor and a lessee that gives the lessee the right to use property, plant, or equipment for a specific period of time in return for stipulated cash payments. Leases are classified as either **capital** or **operating**.

### **Capital Leases**

According to **Financial Standards Board** (FASB) Pronouncement 13, "Accounting for Leases," a lease is considered a capital lease if it meets any one of the following criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term,
2. The lease contains an option to purchase the lease property at a bargain price,
3. The lease term is equal to or greater than 75 percent of the estimated economic life of the lease property (e.g. lease term is six years and the estimated life is eight years), or
4. The present value of rental and other minimum lease payments equals or exceeds 90 percent of the fair value of the leased property less any investment tax credit retained by the lessor (for example, the present value of the rental and other minimum lease payments equals \$9,000 and the fair value is \$10,000).

**Note:** *The last two criteria are not applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property.*

**Accounting for the lease** is dependent on whether the lease is accounted for in a governmental fund or a trust fund.

Leases directly related to and expected to be paid from **proprietary funds and trust funds** should be included as an asset and liability of the respective funds.

All other assets acquired or obligated with a **non-cancellable lease** are to be accounted for in the Fixed Assets Account Group. The corresponding liability is recorded in the General Long Term Debt Account Group.

If a lease agreement is to be **financed from general government resources**, it must be accounted for and reported on a basis consistent with governmental fund accounting principles.

Lease accounting for **proprietary funds** should follow FASB Statement 13, as amended and interpreted, without modification. Transactions for proprietary fund capital leases are accounted for and reported entirely within the individual proprietary fund.

The **amount to be recorded in the fixed asset system** upon signing the lease is the lesser of the present value at the beginning of the lease term of the minimum lease payments during the lease term or the fair value of the leased property.

**Capital leased assets** must follow the same depreciation policy as similar owned fixed assets in the fund. If depreciated, the period is restricted to the lease term, rather than the life of the asset, unless the lease provides for transfer of title or includes a bargain purchase option.

The **periodic rental payments** are treated as payments of the lease obligation and interest is recorded on the remaining balance of the obligation. This is similar to other types of debt repayments.

### **Operating Leases**

To determine if a lease is operating, review the criteria for a capital lease under Lease Agreements. If it does not meet any of the criteria for a capital lease, the lease is considered an **operating lease**.

- All costs incurred are expensed when recording operating lease activity.
- Neither an asset nor an obligation is recorded for operating leases.
- Accordingly, rental payments are recorded as rental expense in the operating statements.

When **leasing land**, the lease is classified as an operating lease unless it provides for transfer of title or includes a bargain purchase option.

## **Purchasing and Accounting Procedures**

### **Purchasing Procedures**

- State Equipment, Furniture and Fixtures

Equipment, furniture and fixtures, etc., procurement will originate with the issuance of an approved Purchase Order Request. A copy of the Purchase Order, Invoice, and Receiving Document should be on hand before a request for payment has been generated.

**EXCEPTION: EMERGENCY PURCHASES** - *An emergency purchase of equipment shall be for an Emergency Only. **Prior authorization** for an emergency purchase will be made through the chain of command with final approval by the Chief of the Purchasing Section or designee in his absence.*

- Federal Equipment, Furniture and Fixtures

Equipment, furniture and fixtures, etc., procurement, as authorized within the Federal Grant Award, will originate with the issuance of a Purchase Order Request approved by the Project Director and the Federal Grant Accounting section. A copy of the Purchase Order, Invoice, and Receiving Document should be on hand before a request for payment has been generated.

### **Receipt of Equipment, Furniture and Fixtures**

- State Equipment, Furniture and Fixtures:  
Fixed assets must be properly received prior to payment of any invoices.
- Federal Equipment, Furniture and Fixtures:  
Fixed assets must be properly received prior to payment of any invoices.

### **Accounting Procedures**

The Controller has the custodial and supervisory duties of the fixed asset system.

- The Controller has designated supervisory responsibility of the fixed asset control to the **Assistant Controller**.
- The Fixed Asset Section of the Controller's Office is responsible for:
  - assigning equipment numbers to the divisions and keying information into the fixed asset computer system, as well as
  - insuring that the NC Accounting System expenses balance to the fixed asset system accounts.

## **Tagging Assets**

Maintaining a positive identification of assets is the primary purpose of tagging. Tagging is important to:

- Provide an accurate method of identifying individual assets,
- Aid in the periodic physical inventory,
- Control the location of all physical assets,
- Aid in maintenance of fixed assets, and
- Provide a common ground of communication for both the accounting department and the asset's users.

Generally, all fixed assets (capitalized and inventoried) are tagged. Some assets, such as buildings, firearms, and land, are not tagged. The asset number is still recorded in the system but not physically attached to the asset. For land and buildings, a description of the property is recorded which includes the address and plat location found in the county Register of Deeds records. In the serial number field, the complex number must be identified through the State Property records and recorded on the Fixed Asset inventory.

Items not needing a tag are:

1. Buildings (record legal description in asset record)-complex number is required,
2. Land (record legal description in asset record)-complex number is required,
3. Firearms (record serial number in asset record),
4. Handheld Radios, and
5. Body Armor.

### **Equipment Number Assignment**

The Fixed Asset Section currently assigns groups of fixed asset numbers to each division to be used for acquisitions with costs of **\$500 or greater**. The Fixed Asset Officer of each division will assign the equipment number to the fixed asset after receiving equipment. When an asset is purchased, all input forms must be completed and sent to the Fixed Asset Section by the 10th working day after payment has been made. The assigned number will appear on the division's Fixed Asset inventory report.

It will be the responsibility of each location to follow up to ensure that an equipment number has been assigned to each fixed asset and that it is properly tagged, if required.

### **Equipment Identification Labels and Tags**

After assignment of equipment numbers, the division will forward the equipment tags to the respective locations. Upon receipt of these labels/tags, the Fixed Asset Officer or designee will have them attached to the identified equipment.

It will be the responsibility of each location to ensure that an equipment tag has been received for each asset required to be tagged.

## **Physical Inventory**

A **physical inventory of capitalized fixed assets** is taken to verify that capitalized assets physically located in the Department are recorded in the fixed asset accounts. At the same time, a physical inventory of inventoried items is taken by all locations to ensure these items have been recorded properly. Inventories must be taken at least annually.

The Fixed Asset Section of the Controller's Office will furnish each location with an updated Fixed Asset Report for the taking of a physical inventory once each year. The inventory is to be taken by a person who neither has custodial responsibility for the assets nor has responsibility for receiving, checking in, tagging, or recording the assets.

**A physical inventory of capitalized assets and inventoried items should be taken each time there is a change at a management or supervisory level that has custodial responsibility for the assets.** For divisions, this means a change in the location head; however, for changes in management at lower levels, it will be left to the discretion of the location head whether to conduct a physical inventory. The outgoing and incoming supervisor/manager should sign the inventory sheets indicating that the count and location of the assets on the system are accurate.

### **Exceptions to the Physical Inventory**

Exceptions to or changes to a physical inventory will be noted on the Fixed Asset Report and communicated to the Fixed Asset Section by the head of the division, the Fixed Asset Officer or their designee. Examples would include:

- assets listed on report not found at the location,
- assets at the location not listed on the report,
- missing or incorrect serial number(s), or
- missing or incorrect descriptions.

The Fixed Asset Section of the Controller's Office will compare assets missing from one location to those added manually to reports at other locations. Matches will be relocated on the Fixed Asset System to list them properly. Locations will be notified of any changes. The Fixed Asset Section will notify the Federal Grant Accounting section prior to any changes occurring which pertain to grant (federal and state) equipment.

## Missing Assets

After this process, **any missing assets should be listed as 'missing' on the inventory and a note should be made in the comments section** with the name of the person last responsible for the asset. The missing item(s) is routed through email to the division head for approval and forwarded to the Fixed Asset Section of DENR's Controller's Office. Once the approval has been received with the completed inventory, the Fixed Asset Section will change the status code on the Fixed Asset System to missing (M) and will update the FAS records to reflect the date the status code was changed. This process is different from an asset that is believed to be stolen. If any asset is believed to be missing due to theft, a theft report must be completed and the proper agencies contacted. For further instructions, see the section on Theft.

## Fixed Asset Report

A Fixed Asset Report listing missing assets will be sent to the person responsible for the asset by the Fixed Asset Section of DENR's Controller's Office.

- This person will then be required to document all the efforts made to find the missing asset(s).
- If, after one year, the asset is not found, it should be retired as a lost asset.
- The Office of the State Controller will make periodic reviews of fixed assets listed as missing.
- If the asset is found, it will be noted on the printout and a notification by email should be sent to the Fixed Asset Section stating the asset has been located.
- The Fixed Asset Office should then change the status code to "U" (In Use), change the location from missing to the correct location, and update the status on the fixed asset system with the date changed.

## **Transferring Assets**

**Assets are transferred when they are permanently moved from one agency to another.** If the move is temporary, it is treated as an asset on loan to another agency.

- A transfer should not be confused with a location change.
- A transfer occurs when an asset is moved from one agency to another.
- If the owning agency does not change, only a location change has occurred.

Persons making transfers to the system need to verify with the Fixed Asset Section that a transfer, and not a location change, has occurred.

### **Between Agencies**

- **A move to another Agency, outside the Department of Environment and Natural Resources,** is considered a transfer. Transfers of equipment to other agencies outside the Department of Environment and Natural Resources will be handled like surplus property (unless the division is moved to another agency). For more information, see the section on Surplus Property.

### **Between Divisions/Locations within the Department**

- **Location changes are changes from one division/location to another within the Department of Environment and Natural Resources.** These changes are not considered transfers, but rather location changes. Location changes of equipment, etc., from one location to another will be accomplished by the issuance of a Change of Location (COL) authorization.
- The Fixed Asset Section will notify the Federal Grant Accounting section prior to any transfers or location changes of grant (federal and state) equipment.

## **Surplus Property**

**Surplus property is any equipment or other property that is no longer needed in the Agency.** This property does not have to be on the fixed asset system to be considered surplus property. The Department can move the assets to State Surplus Property for sale or transfer. Division Fixed Asset officers should start a surplus document on the State Surplus Property website for all surplus items.

**If transferring/moving the item to State Surplus is not practical,** such as large pieces of equipment, the item may be advertised through State Surplus yet retained at the Department of Environment and Natural Resources facility for bidder inspection. These items are called 'On BID.' Once an item is declared to be surplus, the status code will be changed to "S." This is true whether the item is physically located at State Surplus Property or being retained at a DENR site. Items actually sent to State Surplus will have their location changed to "SURPLUS."

When feasible or practical, State Surplus Property will transfer property between agencies at values determined to be reasonable. If other agencies have no need for the asset, State Surplus Property attempts to sell the asset at the highest price possible. This is generally done by offering the asset to the public through sealed competitive bids or other means. Due to the time it takes to receive the asset, prepare it for sale, and process bids for a large number of items, a sale may take three to six months. After the item is sold, State Surplus Property notifies the Agency of the sales price and remits a check to the Controller's Office on a monthly basis. If the item was transferred, State Surplus Property will notify the Department as to which agency received the item. Entries must then be made in the fixed asset system to retire or transfer the asset by the Fixed Asset section.

### **Disposition of Surplus Property**

Before any piece of equipment or property can be sold or disposed of as surplus, proper written management approval must be obtained. The request is made on a [Surplus Property Disposal Form](#).

- The fixed asset number, if applicable, and a description of each item must be submitted along with an explanation of why the item(s) is to be sold or otherwise disposed of through submitting a surplus document.
- Assets declared surplus cannot be retired when sold without an asset number.
- All component asset numbers must also be included.
- Information that should also be submitted include any major improvements/repairs made in the last year, the present condition of the item, and the minimum bid price to be accepted.

## Surplus Property Approval

DENR Purchase and Services Division (DPS) must approve all items pertaining to surplus. Each division within DENR is responsible for accessing the State Surplus System and completing the Surplus training course on how to enter a document that is to be considered surplus.

For equipment with a fixed asset number, once documents are approved by DPS, an email is sent to the Fixed Asset Section for review. The location of the asset will then be changed to 'surplus.'

- **Negotiated bids** must be made through the State Surplus Property Officer.
- **Junk Property**, items that are considered worthless, should still be sent through State Surplus.

**CAUTION:** *Under no circumstances can State-owned equipment be donated, traded-in, or given to another entity without approval of the State Surplus Property Office.*

## State-Owned Badge & Service Side Arm of Deceased or Retiring Law Enforcement Member

When requesting approval to award the badge and/or service side arm to a retiring officer or the family member of the deceased officer pursuant to General Statute 20-187.2, complete the OC-50 form (State-Owned Badge & Service Side Arm) found on the DENR Controller's Office website and send the paperwork to the Fixed Asset Section Manager for review. The manager will then forward the request to the DENR Secretary's Office for approval.

- The request must include the OC-50 form and the surplus document which has the name of retired officer, address, badge number, date of retirement, description of the weapon, approved memo from Division Director, and permit to purchase a weapon.

## Related Party Transactions

When surplus property has been offered to the general public through sealed bids, a contact person is listed on the bid listing. Immediate family members of this contact person will not be allowed to bid unless the Department of Environment and Natural Resource's Chief Fiscal Officer (Controller) is notified in writing.

Immediate family is defined as spouse, parents, children, brother, sister, grandparents, and grandchildren. Also included are the step, half, and in-law relationships.

## **Repairs**

Property should not be used once it is placed in surplus status except for bidder inspection requirements. All surplus items are sold on an "as is" basis. No repairs may be made once an item is declared as surplus.

## **Sale of Livestock**

The sale of all lots of livestock must be done through State Surplus Property. Bidders should be notified that bids must be called in to the State Surplus Property Office. Livestock that is injured will be sent to local meat processors subject to "kill."

- Exceptions to the above policy, e.g. cull animals, will be allowed in accordance with directions from the State Surplus Officer.

## **Sale of Farm Commodities**

The sale of farm commodities such as soybeans, peanuts, cotton, steel, aluminum, etc., will be handled in accordance with directions from the State Surplus Officer.

## **Grant Equipment (Federal and State)**

The disposition of grant equipment will follow the procedures listed above, with the following additions:

- Requests for the disposition of grant equipment should be submitted separately from requests for disposition of other equipment.
- In addition, before disposition of any grant property, the facility must have approval for the request by the Federal Grant Accounting section.

The Federal Grant Accounting section will:

- research any grant (federal and state) requirements for disposition of grant property,
- obtain appropriate federal or state approval, and
- notify the Central Accounting Office that appropriate federal and state approvals have been obtained and that any restrictions or special procedures have been followed.

If assets are required to be returned to the funding agency, a list of the equipment returned to the Grant Agency must be made and shall include the following information:

- grant project number,
- equipment number,
- description of the equipment, and
- serial number(s).

A release of responsibility should be signed by the authorized person and/or agency receiving the equipment. All documentation relating to the release of the equipment will be forwarded to the Federal Grant Accounting section who will authorize removal of the equipment from the equipment inventory.

## **Federal Surplus Property**

The Department of Environment and Natural Resources will follow the rules and regulations set forth by the Department of Administration (DOA) pertaining to the acquisition and utilization of Federal Surplus Property. These rules are as follows:

- The property is needed, will be utilized by the Department of Environment and Natural Resources, and funds are available to pay all costs and charges related to the acquisition. The property will be used by the DENR and not for personal use.
- The property will be put into utilization for the purpose for which it was acquired within one year of receipt and shall continue in use for such purpose for one year from the date the property was placed in use.

*Exception: There will be a period of restriction of 18 months on all property with a government cost of \$5,000 and all passenger motor vehicles, regardless of government cost.*

- Additional restrictions of up to 5 years will apply for special types of property, such as aircraft, vessels, and other related property.
- All property will be utilized by DENR and the property cannot be loaned, leased, rented, traded, sold, cannibalized or otherwise disposed of without prior written approval of DOA or General Services Administration (GSA) while the property is still under the state and federal restricted period of utilization.
- Property which is still under state/federal restrictions that is no longer needed by DENR can be returned to DOA or be retransferred to another eligible donee institution/organization provided that DENR enters a written State Surplus Property document to DOA to request and approve the desired action.
- All property acquired by DENR is on an "as is" basis without warranty of any kind.

### **Cannibalization**

Cannibalization is the taking of useable parts from one machine (an inoperative machine) to construct or repair another machine.

Property with a government cost of less than \$5,000 (except passenger vehicles) can be approved for cannibalization by DOA provided that the property has no utilization potential other than through cannibalization.

- Although there may be property in the Federal Agency warehouse with a government cost of \$5,000 or more, including passenger vehicles, that have no prior GSA approval for cannibalization, it may be approved for cannibalization by the Federal Property Officer at DOA provided that the property has no other utilization potential as a unit and cannibalization would cause good utilization potential.
- A written request to the Federal Property Officer at DOA must be entered into the State Surplus Property systems and written approval must be granted by the Federal Property Officer before cannibalization approval can be obtained for the aforementioned property.
- Property which has been transferred to DENR, without cannibalization approval, can be cannibalized during the state and federal restricted period provided that DENR furnishes DOA a written justification for such action and DOA approves such action.
- No property that has been transferred to DENR, regardless of government cost, may be cannibalized during the state or federal restricted period unless approval is granted by DOA.

## **Donated Equipment**

When an offer of donated equipment is received, careful consideration should be given to the usefulness of the equipment to the operation of the Department and potential repair costs.

- After receiving approval through the proper chain of command to accept donated equipment, it will be the responsibility of the location head to notify the division's Fixed Asset Officer to assign an equipment number.
- The equipment label issued, bearing the assigned number for the donated equipment, will be forwarded to the location for attachment to the equipment.
- The donated equipment is recorded at fair market value as of the date of donation. A fixed asset form is to be forwarded to the Fixed Asset section of the Controller's Office to insure inclusion of the asset on the Fixed Asset System.

## **Theft**

According to General Statute 114-15.1, if any state property has been stolen, the employee discovering the theft must report the theft to his/her supervisor as soon as possible, but no later than three days from the day of discovery. The supervisor shall notify the Division/Agency head immediately. The Supervisor or Division/Agency head shall then file a police report with local authorities. (For agencies located in the downtown Raleigh complex, State Capital Police should be notified). The Division/Agency head must notify DENR's Office of General Counsel (OGC) with a copy of police report and a completed OGC State Property Misuse form (<http://portal.ncdenr.org/group/ogc/home>). DENR's OGC will then notify the State Bureau of Investigation (SBI) of the theft, if necessary. If the investigation reveals a violation of criminal laws, the district attorney will be contacted by the SBI for further legal action. After an investigation by DENR's OGC, the Controller's Office will be notified by OGC with a copy of all paperwork. Information regarding involuntary disposition of equipment as a result of theft shall be accompanied by a copy of the police report and/or division investigation report. A police report will be required in the case of theft of grant (federal and/or state) property. The Fixed Asset Section will retire the stolen asset(s) once the report from OGC has been received. (No retirement form is needed.) The Controller's Office will report the theft of federal property to the Federal Grant Accounting section once they receive the information from DENR's OGC. A stolen asset will be retired on the fixed asset system with a retirement code of "L."