# Policy and Procedures for Disposition of Assets

## BACKGROUND INFORMATION

From time to time, an asset that has become worn, damaged beyond economical repair, or is obsolete will need to be disposed. This policy applies to PHA property (other than land and buildings) purchased with PHA funds. PHA property is defined as vehicles, maintenance and office equipment, supplies, computers, and computer-related items, appliances, or any other items purchased to meet the goals and objectives of the agency.

PHAs should consider the following best practice in developing their disposition policy.

* Disposition Schedule. The PHA shall identify those items that may need to be disposed of prior to or in conjunction with the annual PHA inventory to reduce the number of items to be inventoried.
* Disposal of Old Appliances. The tracking and proper disposal of appliances is an area that should be carefully tracked. The PHA should obtain a quote for the disposal of old appliances from a salvage/scrap yard at least once a year. The PHA should make arrangements with the salvage yard to pay the PHA by check. Under no circumstances, should PHA employees receive payment in cash. The check with the receipt of items disposed must be returned to the Finance office within 24 hours.
* Method of Payment. For items sold, payment can be received in the form of a money order, cashier, or personal check that is made payable to the housing authority. Cash is prohibited as a method of payment.
* Prohibition of Sale/Donation to PHA Employee, Board Members, or their Families or Friends. The PHA should strictly prohibit PHA employees and their family, Board members and their family, and friends of employees from purchasing surplus PHA property. Furthermore, no property shall be donated to an employee or Board Commissioner or relative of an employee or Board commissioner.

This document provides an example of a PHA disposition policy and procedures.

* **Sample – All PHAs**. This sample provides an example disposition policy and procedures for all PHAs, regardless of size or complexity.

PHAs can simply cut and paste the sample into their policy and procedures documents and modify as needed.

## OTHER ITEMS FOR CONSIDERATION

The following assumptions should be considered by all PHAs when developing the policy and procedures for disposition of property.

1. Assumption – The PHA may change the amount threshold as they feel necessary based on the size of the agency.

**SAMPLE – ALL PHAs**

## DISPOSITION POLICY

This policy applies to PHA property (other than land and buildings) purchased with PHA funds, that had become worn, damaged beyond economical repair, or is obsolete (i.e., no longer useful for the original purpose or that has no use), shall be disposed of in accordance with the PHA’s disposition policy. The PHA considers PHA property to be vehicles, maintenance and office equipment, supplies, computers, and computer-related items, appliances, or any other items purchased to meet the goals and objectives of the agency.

The PHA shall ensure that it receives the best value and the greatest overall benefit for the assets sold.

Property purchased with PHA funds shall not be sold without prior Board approval and at less than the fair value of the asset.

For items sold, payment can be received in the form of a money order, cashier, or personal check that is made payable to the housing authority. Cash is prohibited as a method of payment.

Once PHA property has been sold or otherwise disposed of, it should be removed from the fixed asset list.

Employees and their family, Board members and their family, and friends of employees are not eligible for the purchase of surplus PHA property. Furthermore, no property shall be donated to an employee or Board Commissioner or relative of an employee or Board commissioner. PHA employees and Board members who are found in violation of this provision in the disposition policy may be subject to disciplinary action, including dismissal from the PHA or removal from the Board.

## DISPOSITION PROCEDURES

The following disposition procedures will be followed: 1) determination of items to be disposed; 2) disposition procedures; and 3) sale/donation of PHA property to a non-profit organization.

### Procedures for Determination of Items to be Disposed

The Executive Director, Procurement Officer, or other individual that is designated by the Executive Director will oversee the determination of whether PHA property is considered worn, damaged beyond economical repair, or is obsolete. The following procedures shall be used to determine whether an item should be disposed.

* The PHA shall conduct a survey once a year, prior to or in conjunction with the annual PHA inventory to identify PHA property that is considered worn, damaged beyond economical repair, or is obsolete.
* Each item that is to be disposed of shall be identified by serial number and classified as: 1) without value, to be discarded as obsolete; 2) with salvage value, to be stripped of usable parts before discarding, or 3) with value, to be sold or used as a trade-in on a new item.
* If the item is determined to be without value or having salvage value only, it shall be stripped of any usable parts and the remainder discarded in accordance with all applicable state and local regulations and/or codes.

### Disposition Procedures

The PHA will employ the following procedures for disposing of PHA property.

1. The Executive Director or designee will determine the estimated fair market value of each item and place those items for sale based on the procedures outlined below.
   1. **Items with Estimated Fair Market Value of Less Than $100**. The Executive Director or designee may solicit informal bids in the open market.
   2. **Items with Estimated Fair Market Value of $100 to $1,000**. The Executive Director or designee shall solicit informal bids orally, by telephone, or in writing from all known prospective purchasers. A tabulation of all such bids received shall be prepared and submitted with the board resolution.
   3. **Items with Estimated Fair Market Value of More than $1,000**. The Executive Director or designee shall advertise for formal bids prior to awarding a contract of sale. The advertisement shall be posted at least fifteen (15) days prior to award of the sale contract and shall be published in newspapers or circular letters to all prospective purchasers. In addition, notices shall be posted in public places. Bids shall be opened publicly at the time and place specified in the advertisement. A tabulation of all bids received shall be prepared and submitted with the board resolution and filed with the contract as part of the permanent record.
2. A board resolution requesting Board approval for the disposition shall be prepared and include the following information organized by the project or program from which the item was originally purchased.
   1. Method of disposition of each item – 1) donated to non-profit; 2) discarded without value; 3) salvage value (e.g., old appliances); and 4) with fair market value.
   2. Estimated fair market value of each item.
   3. Information obtained to support fair market value estimate.
   4. Total estimated value for all items to be disposed.
3. The Executive Director or designee will check for: 1) approved board resolution; and 2) evidence of documentation of fair value before the assets are disposed.
4. After the items have been sold, donated, or disposed, a receipt along with the payment (as applicable), should be immediately provided to the Finance office.
5. The Finance office will review the receipt against the approved Board resolution for the item and quantity disposed and amount of the sale.
6. Finance will credit the revenue from the sale of these items to the appropriate project, program, or department from which the item(s) was originally purchased.
7. Finance will remove from the fixed asset list those items that have been disposed.

### Sale/Donation of PHA Property to Non-Profit Organization

The sale or donation of PHA property to a public body for public use or a non-profit organization for low-income housing related purposes may be negotiated at its fair market value subject to approval by the Board of Commissioners. The transfer shall be documented by a bill of sale.