



County of Riverside
OFFICE OF THE AUDITOR-CONTROLLER
STANDARD PRACTICE MANUAL

		SUBJECT: DISPOSAL OF CAPITAL ASSET
SECTION:	5	CATEGORY: CAPITAL ASSET POLICIES
POLICY NUMBER:	514	
REVISED DATE:	12/1/24	APPROVED BY: <i>Ben J. Brait</i>

PURPOSE: To establish standard guidelines for the proper disposal of capital assets from PeopleSoft Asset Management module (AM module).

SCOPE: Applies to County departments, agencies, special districts, and authorities that are governed by the Riverside County Board of Supervisors.

POLICY: Disposal of capital assets must be reported to the Auditor-Controller Office (ACO).

PROCEDURES: Information on the criteria to determine the proper disposal of capital assets, that are considered surplus property, trade-in for other capital assets, stolen, demolished/destroyed, projects that are removed from construction-in-progress, lost, donated to an outside entity, or that are impaired is documented below, as well as the process and supporting documentation needed to properly record the transaction in the AM module.

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GENERAL INFORMATION

All Capital Assets that are being physically disposed of or are not being used, are obsolete and/or beyond repair, are to be disposed of. Capital assets cannot and **will not be removed** from the AM module solely because the capital asset has been fully depreciated.

SURPLUS PROPERTY

Capital assets that are no longer needed by a department must be transferred to the custody of the Supply Services Division of the Purchasing & Fleet Services Department for disposal. When disposing of electronic devices such as hard drives, solid state drives, storage drives, memory sticks, computers, printers, copiers, servers, etc., departments must sign and submit an “Electronic Surplus Liability and Release Form.” This form will attest that all electronic items have been wiped clean and they have NO County data on them.

The Supply Services Division will determine whether to make surplus property available to other departments, auction it, or scrap it. Make sure a signed copy of the “Surplus Property Transfer Form” from Purchasing and Fleet Services Department is obtained during the disposition as well the “Electronic Surplus Liability and Release Form.” These forms must be attached to the SPM Form AM-7 (Capital Asset Disposition) that is submitted to the ACO.

TRADE-IN

Capital assets may be traded in for like-kind capital assets upon the approval by the Purchasing Department. Economically, a trade-in transaction is the same as two separate transactions—that is, the sale of a capital asset for the trade-in allowance amount and the purchase of a new capital asset. It is important to document the asset number/serial number on the purchase order (PO) of the trade-in capital asset. Also, if possible, notify the vendor to provide a letter/documentation of acknowledgement noting the capital asset traded towards the purchase of a like-kind capital asset or noting it on the invoice of the new capital asset with sufficient detail information to identify the traded-in capital asset. The PO, invoice, or letter/document must accompany the completed SPM Form AM-7 and the SPM Form AM-5 (Capital Asset Acquisition) when submitted to the ACO.

DEMOLITION

Destruction or demolition of a capital asset property/structure will need to be reported to the ACO as soon as the event has taken place. SPM Form AM-7 must be completed to document what happened to the capital asset and attach as supporting documentation. Board of Supervisors’ Minutes that mention the destruction or demolition event are acceptable forms of supporting documentation.

REMOVAL OF CONSTRUCTION-IN-PROGRESS (CIP) PROJECTS

Removal of CIP project costs requires the department to complete SPM Form AM-8 to fully document the capital asset/project, reason, and amount to be removed. SPM Form AM-8 will need to be attached to the SPM Form AM-7 along with any additional documentation, such as, Board of Supervisors’ Minutes, regulations, letters received, or any other official documents that may provide additional support for the CIP removal.

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LOST

Capital assets that cannot be located after a diligent and thorough investigation, and considered lost or unaccounted for, require a discharge of accountability from the Board of Supervisors (BOS) via a Form 11 approval if the current fair market value of the capital asset is over \$1,000. The fair market value can be obtained from a purchasing agent via e-mail to use as supporting documentation. The e-mail to the purchasing agent should clearly identify the asset in question. It must include the description, asset ID#, serial number, and any other information that may be pertinent.

- If the fair market value is **less** than \$1,000, attach the e-mail correspondence from the purchasing agent to the completed SPM Form AM-7 as supporting documentation.
- If the fair market value is **more** than \$1,000, attach the e-mail correspondence from the purchasing agent and a copy of the Board of Supervisor BOS Minute Order to the completed SPM Form AM-7.

THEFT

Capital assets, that cannot be located after a diligent and thorough investigation and considered stolen, must be reported to the local law enforcement agency and a police report must be obtained. The department must provide a copy of the official police report and if applicable the insurance claim of the stolen capital asset along with the completed SPM Form AM-7 to the ACO.

DONATION TO AN OUTSIDE ENTITY

Departments seeking to donate assets to organizations outside the County must obtain approval from the Board of Supervisors. A copy of the approved Form 11 must accompany the completed SPM Form AM-7. Departments are responsible to verify that the donated capital assets does not violate State, Federal, or any other entities agreement/provision/obligation/restrictions on the transfer/donation of the asset as it might be the case with federal/state grants and donated capital assets that would have been received by the County.

IMPAIRMENT

GASB 42 defines asset impairment as a *significant* and *unexpected* decline in the service utility of a capital asset. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. Impairment applies to capital assets with material carrying values. Impairment does not apply to fully depreciated capital assets.

Indicators of potential impairment, as defined by GASB 42:

- 1) *Evidence of physical damage* to the capital asset that requires repair to restore the asset’s service utility. Examples would include a building damaged in a natural disaster or a building facing the costs associated with mold remediation or asbestos removal.
- 2) *Enactment or approval of laws or regulations*, or other changes in environmental factors, that limit or curtail the use of the capital asset because the asset does not meet and cannot be modified to meet the requirements of the new laws or regulations The GASB requires these impairments to be reported when the change occurs and not when the change goes into effect. Examples would include underground storage tanks or water treatment plants that cannot meet new EPA requirements.
- 3) *Technological development* or evidence of obsolescence resulting in the capital asset being used much less frequently or not at all. Examples would include magnetic resonance imaging (MRI) equipment of the enclosed type following the introduction of the more popular open models, or other diagnostic or research equipment that is rarely used because newer equipment provides better service.

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- 4) *A change in the way an asset is used or in the length of time it is expected to be used.* Examples would include a school building now used as a warehouse, the closure of a street prior to the end of its useful life for safety reasons or the closure of a school prior to the end of its useful life because of a decline in enrollment.
- 5) *A permanent construction stoppage* prior to the completion of an asset. Examples include the halting of building construction due to a lack of funding or a stoppage following the discovery of an endangered species at a construction site.

GASB 42 applies to all capital assets, including non-depreciable capital assets. Land is considered to be a separate capital asset from buildings and depreciable improvements and, therefore, should be evaluated separately for impairment. The purpose of evaluating non-depreciable capital assets separately—such as land—is to avoid an unrealized gain in the fair value of land to be used as an offset to an impairment loss on buildings.

Impairments from physical damage are always considered to be permanent. GASB 42 establishes the presumption that capital asset impairment is permanent, unless evidence demonstrates that the impairment is only temporary. GASB 42 further provides that impairment losses recognized in accordance with this Statement should not be reversed in future years, even if the events or circumstances causing the impairment to have changed.

GASB 42 prescribes three different methods for calculating the amount of the impairment.

1. Restoration cost approach (generally used to measure impairment losses from physical damage from fire, wind and the like)
2. Service units approach (generally used to measure impairment losses from environmental factors, technological changes, obsolescence, or change in the manner or duration of use)
3. Deflated depreciated replacement cost approach (generally used to measure impairment losses from change in the manner or duration of use)

The specific method to be used should be the approach that best reflects the decline in service utility of the capital asset. Once an approach had been used, that approach also be used to measure subsequent impairment write-downs with similar characteristics.

Capital assets that will no longer be used by the entity and construction stoppage.

Impaired capital assets that will no longer be used by the entity should be reported at the lower of carrying value or fair value. Capital assets impaired from construction stoppage also should be reported at the lower of carrying value or fair value.

Please consult with the ACO Capital Asset team for guidance on impairment transactions.

DEPARTMENT ROLES:

- 1) Completed AM-7 Form must be submitted to the ACO ***with all supporting documentation***, as soon as possible.

AUDITOR-CONTROLLER'S ROLES:

- 1) Review and verify AM-7 form and transactions recorded in system.
- 2) Process transactions in PeopleSoft Financial System.
- 3) The Auditor-Controller Capital Asset Section will remove the asset from the PeopleSoft Asset Management Module after receipt of the Capital Asset Disposition form, SPM Form AM-7, and accompanying documentation.

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RECORDS MANAGEMENT ROLES:

Auditor-Controller

The Auditor-Controller is the official Department of Record for all AM Forms and its supporting documentation that are submitted. The documentation is filed in accordance with the County's General Records Retention policy which states to keep the current year plus the 7 past years.

SECURITY ROLES:

In order to perform the functions discussed above the following roles must be requested:

Department:

Capital Asset Processor – this role will allow you to:

- Add capital asset information
- Update some capital asset information

Auditor Controller:

Asset Reviewer Auditor-Controller Only – this role will allow you to:

- Adjust, re-categorize, transfer, and dispose capital asset information
- Review and process transactions
- Run capital and lease asset reports

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CAPITAL ASSET DISPOSITION

OFFICE OF THE AUDITOR-CONTROLLER

Complete and return to the Auditor-Controller's Office, Mail Stop #1050.

SPM FORM

AM - 7

(Policy #XXXX)

PAGE ___ OF ___

Department	Business Unit	FY

 Name of Contact

 Phone

Disposition Codes							
Abandonment	AB	Disappeared Asset	DIS	Missing Asset	MIS	Scrapped Asset	SCR
Cannibalize	CAN	Disposal Due to Theft	DPO	Retirement by Sale	RTR	Traded in for Other Asset	TRD
Casualty Loss	CAS	Donated to External Group	DON	Returned to Inventory	RET		

1	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

2	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

3	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

4	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

5	Category Code	Asset Number	Disposition Code	Quantity	Retire Amount	Proceeds	Removal Costs	Disposition Date

Other Information (Description of equipment, serial number, etc.)

 Authorized Signature for Deposition (Department Head or Designee)

 Date

To Be Completed By the Auditor-Controller's Office

 Central Asset Management Reviewer/Approver

 Date

Distribution: **Original:** Auditor-Controller **Copy:** Originating Department

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ELECTRONIC SURPLUS LIABILITY AND
RELEASE FORM

DATE: _____

My signature below certifies that all Electronic Surplus items: Hard Drives, Memory, and drums (of Computers, printers, copiers, servers, cellualars, and/or fax machines) listed on the attached surplus form # _____ (Surplus Control Number), have been sanitized of all magnetic and electronic residues, that is all personal records and County information. All items have been identified and verified by respective IT Department prior to turning into the custody of the Surplus, Supply Services Division, Purchasing and Fleet Services Department.

X _____
PRINT NAME

X _____
SIGNATURE

X _____

Department

NOTE: It is the responsibility of each respective Departments that turning in electronic Surplus have all storage devices, memory including drums removed, destroyed, and/or wiped cleaned, leaving no County data on them. All materials shall be clean; All County of Riverside Department identification labels shall be removed from materials/equipment prior to be turned in to Surplus.

Form Number - 116-428

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CONSTRUCTION-IN-PROGRESS PROJECT REMOVAL FOR CAPITAL ASSETS

OFFICE OF THE AUDITOR-CONTROLLER
Complete and return to the Asset Management Desk of the General Accounting
Division, Mail Stop #1050.

SPM FORM
AM - 8

BUSINESS UNIT	FUND NO.	DEPT ID	AGENCY/DEPARTMENT NAME

1	Asset Number	Category Code	Project #	Quantity	Amount		Fiscal Year	Disposal Date
Other Information (Reason/Comments)								

2	Asset Number	Category Code	Project #	Quantity	Amount		Fiscal Year	Disposal Date
Other Information (Reason/Comments)								

3	Asset Number	Category Code	Project #	Quantity	Amount		Fiscal Year	Disposal Date
Other Information (Reason/Comments)								

4	Asset Number	Category Code	Project #	Quantity	Amount		Fiscal Year	Disposal Date
Other Information (Reason/Comments)								

5	Asset Number	Category Code	Project #	Quantity	Amount		Fiscal Year	Disposal Date
Other Information (Reason/Comments)								

Project Manager Name _____ Title _____ Signature _____ Date _____

Fiscal Chief/Officer/Manager Name _____ Title _____ Signature _____ Date _____

Department Director _____ Title _____ Signature _____ Date _____

Updated: April 2016

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