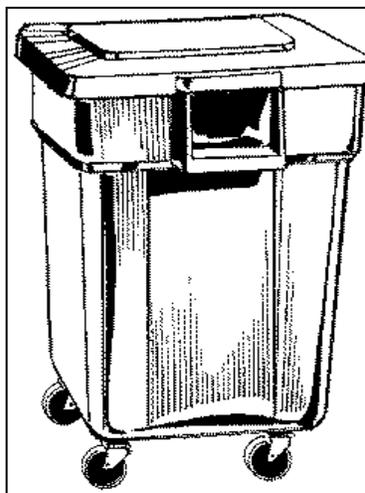
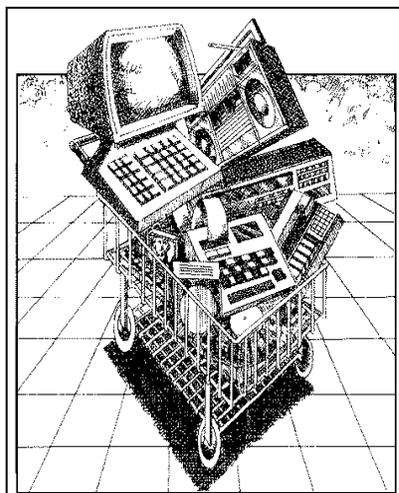
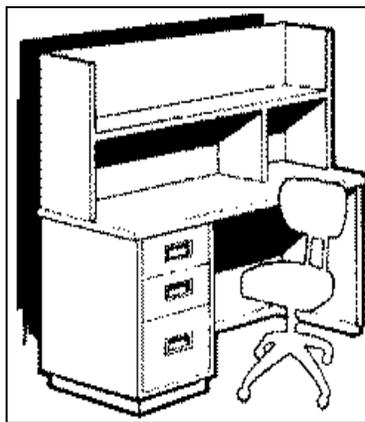


USER'S GUIDE:

SURPLUS PROPERTY

DISPOSAL



Commonwealth of Kentucky
Finance and Administration Cabinet
Department for Facilities and Support Services.

February 2016

This Guide will be periodically updated and can be found at the Division of Surplus Property web site <http://finance.ky.gov/services/surplus/pages/default.aspx>

This guide is not a contract nor do the statements contained in it have the force of law. Laws and administrative regulations governing surplus property disposal supersede statements in this guide. The provisions of this guide refer to surplus personal property disposal only. For additional information, refer to current editions of the Kentucky Revised Statutes and Kentucky Administrative Regulations (KRS 42, 45A and 200 KAR 5).

The Commonwealth of Kentucky does not discriminate on the basis of race, color, national origin, sex religion, age or disability in employment or the provision of services. This guidebook is available in an accessible format upon request.

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**Chapter 1: Guidelines for Agencies
Without Delegated Authority To
Dispose of Surplus Personal
Property**

Introduction and Overview

Introduction

The General Assembly revised the statutes related to surplus property by passing House Bill 5 of the 1997 First Extraordinary Session that allows for disposal of surplus personal property in a more efficient manner. Now, individual cabinets, if delegated authority by the Secretary, Finance and Administration Cabinet, may declare and dispose of surplus property in a manner most advantageous to the cabinet.



- What are the methods available to cabinets for disposal?
- What are the steps for each method?
- What can you do to help the surplus property process?
- What are the cabinet responsibilities?

Included in this guidebook is a list of key contacts for surplus property, inventory, and disposal. Also, the appendix of the guidebook contains copies of regulations and samples of forms.

To assist cabinets in complying with the regulations and understanding the options and considerations related to surplus property disposal, the Finance and Administration Cabinet has issued this guidebook.

Overview

The purpose of this chapter is to serve as a resource for cabinets without delegated authority in making surplus property decisions. The guidebook contains high-level information related to the following areas:

- What property must go through a surplus declaration and disposal process?
- How does property become surplus?
- How do I determine if the property is no longer needed?

What personal property must go through a Surplus Declaration and Disposal Process?

The surplus property declaration and disposal process is used to handle adjustments or changes to inventories of the cabinets. In short, all state-owned personal property and supplies that are no longer needed by the agency must go through a declaration and disposal process.

Certain items that may be designated as surplus require special handling procedures that are not detailed in this guidebook. These “special property” items are as follows:

- Animals to be retired and placed in an appropriate home.
- EPA regulated materials-Hazardous Items. “Hazardous” items not suitable for sale or transfer must be disposed of in accordance with State, and Federal, waste management laws and regulations: Examples include:
 - Lead acid batteries
 - Used tires
 - EPA regulated chemicals and materials
 - Biologically soiled items
 - Used mattresses
 - Items containing freon (other than automotive air conditioning systems).
 - Body Armor

For the special property items, please contact your cabinet’s hazardous materials coordinator, if available, or the Division of Surplus Property, at 502-573-4836.

How does property become surplus?

Surplus property is generated primarily through the normal use of property or the procurement of replacement materials. Instead of storing the property for an indefinite period, the agencies should move forward with a declaration and disposal process for the surplus property. In addition, inventory must be recorded on a declared surplus form and removed from the inventory records when lost or missing. Such records to be maintained for audit purposes.

How do I determine if the property is no longer needed?

The disposal process actually begins with a determination that the property is no longer needed or has become unsuitable for use. Property that is no longer needed is fairly easy to identify. Usually, replacement property, such as new furniture, is purchased. Many times, this extra property can still be used and would have value for another department, agency, cabinet, or the general public.

Determining whether or not the property has become unsuitable for public use is much more subjective. In most cases, unsuitable surplus property should be disposed through trash processes. Here are some tips to assist in the determination:

- Has the property been damaged beyond repair?
- Are there parts or pieces missing which can make the property dangerous?
- Is the property potentially hazardous or could it be hazardous waste? For example, property, such as fabric

dividers, can become hazardous if damaged by floodwaters that can contain biological hazards.

- Air conditioners, on the other hand, can be a chemical hazard. Air conditioners and refrigerators contain freon, which is a hazardous chemical and requires handling by a certified freon remover before disposal.

These few suggestions do not cover all property conditions. It is the responsibility of the cabinets to exercise judgement and common sense in determining suitability for public use.

Once the cabinet determines that items are no longer needed or not suitable for use, then it is responsible for initiating the disposal process that, when completed, has properly disposed of the items and they have been removed from the appropriate inventories.

What if the property is or may be hazardous?

“Hazardous” items not suitable for sale or transfer must be disposed of in accordance with state, and federal, waste management laws and regulations. To obtain assistance with hazardous property contact a hazardous materials coordinator in your cabinet if available or the Division of Waste Management at 502-564-6716.

Now that I have items no longer needed, what is next?

The agency’s inventory officer is responsible for generating a Surplus Request online via the Surplus Property Management System (SPMS) for items to be turned in to the DSP Warehouse or by preparing a State-Owned Personal Property Declared Surplus

Form (Form B 217-2 in the Appendix) for other types of surplus disposal requests. Once completed, the officer must have the Surplus Request Authorized in SPMS or obtain the approval of the agency head for B217-2’s and subsequently submit the Request or send the B217-2 to the Division of Surplus Property requesting that the property be declared surplus and authorizing disposal. **The property must be kept until the Division of Surplus Property determines and approves the method of disposal.**

Due to Health & Safety concerns, we no longer accept delivery of glass desk/credenza/table tops. The glass is to be disposed of on site.

Also, please make sure all drawers to all furniture have been cleaned out prior to delivery. Do not empty the previous contents into boxes and surplus as “office supplies”. Dispose of as trash on site. There is no demand or use for old used pencils, pens, folders, etc.

Which methods are available for disposal?

determine the appropriate disposal method and provide upfront approval.

Once property has been declared surplus, the agency can choose to trade-in the property or have the Division of Surplus Property of the Finance and Administration Cabinet

The table below summarizes the disposal methods and consideration related to each.

Methods of Disposal for Surplus Property

Cabinet	Types of Disposal	Recipient	Considerations/Factors
All cabinets	Trade-in	Vendor	<input type="checkbox"/> Coordination by cabinet/Agency purchasing <input type="checkbox"/> Potential involvement by the Office of Procurement Services <input type="checkbox"/> Handling of Property
	Delivery	Finance Surplus Property	<input type="checkbox"/> Suitability for transfer or sale determination <input type="checkbox"/> Scheduling <input type="checkbox"/> Transportation Costs to Frankfort
All cabinets with prior approval of Finance and Administration	Transfer	Agency	<input type="checkbox"/> Determining Demand (Who Needs?) <input type="checkbox"/> Inter-account of funds via eMARS <input type="checkbox"/> Transportation
		Local Government	<input type="checkbox"/> Proof of Eligibility <input type="checkbox"/> Payment by Official check only
		Non-profit organization	<input type="checkbox"/> Determining Demand <input type="checkbox"/> Property retainage policy
	Sale	General Public (Handled only by Surplus Property)	<input type="checkbox"/> Sealed bid <input type="checkbox"/> Auction or Internet Sale <input type="checkbox"/> Advertisement (Public notification) <input type="checkbox"/> Handling sales tax
	Trash	Waste Management Vendor	<input type="checkbox"/> Determination of Non-suitability to Transfer <input type="checkbox"/> Hazardous waste requirements <input type="checkbox"/> Assistance of the Division of Waste Management

All cabinets can request a particular disposal method from the Finance and Administration Cabinet. The considerations and factors have been included in the table above to show what information is involved for the disposal method to occur. Assistance by the cabinets in acquiring the information can improve the overall process.

What are the steps for each method?

Trade-ins

Step 1: Seek information from purchasing officers and/or vendors to determine if the property can be used for trade-in on a new purchase.

Obtain vendor quotes and allowance for trade-in.

Step 2: Coordinate the handling and removal of surplus property with the purchasing officer and the vendor.

Step 3: Obtain appropriate records from vendor or purchasing officer.

Step 4: Update inventory and file appropriate records, using B-217-2 for documentation.

Records for Retention

- B217-2, Declared Surplus Form
- Vendor Quote/Allowance for Trade-in
- Correspondence
- Internal cabinet transfer documents

Delivery to Finance Surplus Property

Step 1: Determine the suitability of the surplus property for transfer or sale.

The following criteria should be used for suitability determinations:

- *Is the total value of the property much lower than the transportation costs for shipping to Frankfort?*
- *Condition of the property*
 - *Is it damaged beyond repair?*
 - *Is it too costly to repair?*
 - *Are there parts or pieces missing?*
 - *Is it significantly out of date technologically?*
 - *Is it potentially hazardous waste?*
- *Have local governments and non-profit organizations refused the offered property?*
- *Are the items fully functional?*
- *Are replacement parts readily available?*

If the property is not useable by anyone, then the property should be disposed of as trash with a waste management vendor. The cabinet should then make a trash disposal recommendation to the Division of Surplus Property instead of delivering the property to Frankfort.

When a cabinet disposes of surplus property as trash, consideration should be given to:

- *Disposal of recyclable materials*
- *Sales of scrap metals such as copper or aluminum*

- *Potentially hazardous nature of certain items*

Assistance with recyclable or scrap metal can be obtained from the Division of Surplus Property, at 502-573-4836. For potentially hazardous materials, please contact the hazardous materials coordinator in your cabinet, if available, or contact the Environment and Energy Cabinet for assistance related to the proper disposal of hazardous material. Special procedures must be followed for handling most of these materials. For assistance, please contact the Hazardous Waste Branch, Waste Management Division at 502-564-6716.

“Hazardous” items not suitable for sale or transfer must be disposed of in accordance with state and federal waste management laws and regulations: Examples include:

- *Lead acid batteries*
- *Used tires*
- *EPA regulated chemicals and materials*
- *Biologically soiled items*
- *Used mattresses*
- *Items containing freon (other than automotive air conditioning systems). These items need to be stamped by a licensed hazardous waste person as handled properly.*
- *Body Armor*

Step 2: Document approval of surplus property with a surplus property form.

Fill in and submit Form B 217-2 to the Division of Surplus Property for all surplus property not being delivered to DSP Warehouse disposed of as solid waste. Retain all solid waste disposal records in agency inventory files for audit purposes. This does not apply to assets with a

Certificate of Title. All such items require DSP approval for surplus.

Step 3: Obtain disposal approval from Surplus Property.

For items to be turned in to the DSP Warehouse, you will receive confirmation of SPMS approval of Surplus Request once proper Authorization has been completed. No deliveries are to be made without prior processing and Authorization via SPMS. All items to be turned in are to be tagged with SPMS generated Temp # Labels prior to delivery.

Step 4: Contact the Division of Surplus Property to schedule delivery.

Please schedule delivery in advance due to limited dock space and volume of property handled by Surplus Property.

*Division of Surplus Property
999 Chenault Road
Frankfort, KY 40601
502-573-4836*

Step 5: Arrange for delivery either through agency resources or movers.

The Department of Corrections has moving resources available by contacting:

*Department of Corrections
Kentucky Correctional Industries
Moving Services
3111 Spurr Road
Lexington, KY 40511
(859) 246-2379 ext. 226*

Step 6: Conduct transfer.

Step 7: Update inventory and file appropriate records.

Transfer to other State Government Agency

Step 1: Determine who needs the surplus property and contact.

Agencies should first look within the cabinet to determine if other departments could use the surplus property. Transferring property within a cabinet can avoid administrative burden of handling payments or transporting property long distances. To transfer to an agency outside of the cabinet, you should use formal and informal networks to facilitate the transfer of property.

Step 2: Negotiate price, date of transfer, transportation and delivery, and moving services.

Several factors should be considered when transferring the surplus property to another agency:

- *Charging a price for the property is to be determined by the parties involved. However, there is no requirement that the receiving agency be charged.*
- *Transportation and moving costs: Availability of vehicles and staff, from either agency, affect the price.*
- *Planning: Many costs around transferring surplus property to another agency can be reduced through prior planning. For example, when transferring from an agency outside of Frankfort to an agency within Frankfort, agencies may look for opportunities to consolidate the surplus property with another load of goods going to Frankfort.*

Step 3: Record and report surplus property actions using a surplus property form.

Before delegation of authority, agencies were required to fill in and submit Form B 217-2 to the Division of Surplus Property for all surplus property. With delegation, the agencies should use the B 217-2 & B217-3 for accounting and audit purposes; however, certain information or approvals are no longer required:

- *Approval signature of Finance and Administration, Division of Surplus Property*
- *A copy of the form sent to Surplus Property*

Step 4: Include agency accounting or purchasing personnel.

Payments for surplus property transferred to another agency must be handled through an inter-account transfer of funds. Assistance of an agency's accounting or purchasing personnel should be obtained to complete the transaction related to inter-account transfer or the handling of any federal interests in the property.

Step 5: Conduct transfer.

Step 6: Update inventory records and file appropriate records.

Transfers to Local Governments and Non-Profit Organizations

Step 1: Determine who may need the surplus property and contact.

At this time, no central register exists for surplus property. Agencies should use formal and informal networks to facilitate the transfer of property to local governments and non-profit organizations. Seek out those agencies that assist your agency and your mission.

Step 2: Determine eligibility of the local government or non-profit organization.

In this case, surplus property must go to an organization defined as a local government or non-profit. There are several ways to determine eligibility, however, one way is to refer to the central list handled by Surplus Property. (Note: not all local governments or non-profits are on the Surplus Property list.) However, for local governments, eligibility can also be established through one of the following:

- *Request for surplus property on the official purchase order of the local government*
- *Request for surplus property on the official government letterhead*
- *Presentation of a Donee card issued by Surplus Property*

Non-profit organizations can establish eligibility through one of the following:

- *Presentation of a Donee card issued by Finance Surplus Property.*

- *Presentation of an IRS letter recognizing the 501[c] 3 non-profit status of the agency. (see example in the Appendix)*

Assistance with these determinations can be obtained from the Division of Surplus Property, at 502-573-4836.

Step 3: Negotiate price, date of transfer, transportation and delivery, and moving services.

Charging a price for the property is to be determined by the parties involved. However, there is no requirement that the receiving agency be charged. Payments for surplus property transferred to a local government or non-profit organization can be paid with official organization checks, i.e., no personal checks. Transportation costs should be considered and, in most cases, paid for by the receiving organization.

Step 4: Document transfer surplus property through Form B217-2 & B217-42A.

For all transfers to local governments or non-profits, Form B217-2 and B217-42A must be completed and submitted for approval. Examples of both forms can be found in the Appendix.

Step 5: Document approval of surplus property with surplus property forms.

Step 6: Conduct transfer.

Step 7: Update inventory and file appropriate records.

Sales to the General Public

All requests for sale of surplus personal property to the public or to private concern must be submitted to the Division of Surplus Property for review and approval. Request to consist of Memorandum addressed to the Director making a request for public sale, location of the proposed sale, reason for request and time frame sale is requested to take place. This is to be accompanied by a completed B217-2 listing the equipment under consideration for sale. There is a schedule of Administrative Fees assessed by DSP for property sold located in the Appendix of this Section.

What can you do to help the surplus property process?

- When replacement equipment will be purchased, talk to the vendor about the possibility of a trade-in.
- Use the Division of Surplus Website to notify other agencies, local governments, or non-profits of surplus property.
- E-mail or send correspondence to local government officials, schools, and non-profit organizations that may assist or have a related purpose to the agency's mission.
- Start an e-mail list for announcements of available property.

What are the cabinet responsibilities?

Cabinets are responsible for retaining certain records, for eight years, related to surplus property. (Finance and Administration Cabinet will retain copies for eight years.)

- ❑ Final Completed hardcopy of SPMS Surplus Request or Form B217-2, Surplus Property Form, must be completed.
- ❑ Form B217-42A, Application for Direct Transfer, is also completed, when the sale or transfer is to eligible non-profit organizations or local governments. This form is necessary to comply with FAP-220-20-00 section (2), State-Owned Surplus Personal Property: Eligibility and Receipt.
- ❑ Police report, when the item is stolen.
- ❑ Settlement papers, when the item is insured.
- ❑ For missing items, document the facts, as you know them.

Glossary

Internet Sale: Auction conducted via publicly accessible web site. Sales conducted via Division of Surplus Property.

EPA: U.S. Environmental Protection Agency

Federal interests: The federal government provides funding for various programs and property of the Commonwealth. This funding establishes an interest in the property.

Inter-account of Funds: Transfer of funds from one agency to another within the Commonwealth of Kentucky. Your agency accounting organization can provide the assistance to allow transfers to occur.

CR Document: eMARS Document used for depositing money into the State Treasury.

Personal Property: Nonexpendable property or equipment owned by the Commonwealth such as tables, desks, chairs, computers, etc...

Proof of Eligibility: Organizations must provide the Commonwealth with evidence of its status as a unit of local government or tax-exempt nonprofit organization.

Property retainage policy: Local governments or non-profits are required to keep property transferred to them from the Commonwealth for a specified period of time.

Real property: Real property is the land and buildings owned by the Commonwealth.

Sales Tax Journal Voucher: Document used to report sales tax.

SPMS: Surplus Property Management System. The online accessible inventory management system of the Division of Surplus Property. Site may be accessed at the web address:
<https://ky.state.surplus.ky.gov/>

Appendix

INSTRUCTION for B217-42A: Form to be filled out by the requesting local government or non-profit agency and returned to the surplusing agency. Form to be attached by the surplusing agency to the B217-2 Declared Surplus form.

The agency requesting this property certifies that it:

- a. Is a unit of local government or a nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code or a nonprofit organization eligible to receive federal surplus property pursuant to 41 C.F.R. 101-44.207(c).
- b. Shall use the property for public purposes or to further its nonprofit mission and that it is not being acquired for other purposes, for sale, or for permanent use outside the Commonwealth.
- c. Shall use all property received for at least one (1) year from date of receipt unless prior approval is granted for an alternate minimum use requirement by the Division of Surplus Property, Finance and Administration Cabinet.
- d. Shall pay to the Commonwealth the proceeds of disposal or the fair market value or fair rental value of the property if the property is put into personal or other ineligible use, or, is sold, traded, leased, or otherwise disposed of, within twelve (12) months of receipt, without approval of the Commonwealth. Such payment shall be determined as of the time of such disposal or ineligible use, and shall be at the option of and as determined by the state agency. Payment shall not preclude any other legal action that the state may pursue if criminal violation is suspected.
- e. Shall, if requested during the twelve (12) months after receipt, report to the state agency the condition, use, and location of, answer other questions about, and allow inspection of the property.
- f. Accepts the property "as is" and "where is" without warranty of any kind.
- g. Holds the Commonwealth of Kentucky harmless from any and all losses, claims, expenditures, actions, causes of action, costs, damages, and obligations arising from this transaction and from the use of the property and the acts of the donee recipient, its agents, employees, and licensees that may result in injury to person or persons, damage to property, or loss of any sort, and to indemnify the Commonwealth of Kentucky from any and all liability, loss, or damage that it may suffer resulting therefrom or any other claims or judgments resulting therefrom.
- i. Shall title any transferred property for which titles are required in the name of the recipient agency.

Internal Revenue Service
Department of the Treasury
District Director

SAMPLE: 501(c)(3) Letter

Date: NOV 07 1980

Employer Identification Number:

Accounting Period Ending:

December 31

CIN: EO: '81 0 2 0 8

Foundation Status Classification: 509 (a) (2)

Advance Ruling Period Ends: December 31, 1981

Person to Contact: Dale Pepper

Contact Telephone Number: 513-684-3866

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably be expected to be a publicly supported organization described in section 509(a)(2).

Accordingly, you will be treated as a publicly supported organization, and not as a private foundation, during an advance ruling period. This advance ruling period begins on the date of your inception and ends on the date shown above.

Within 90 days after the end of your advance ruling period, you must submit to us information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, you will be classified as a section 509 (a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, you will be classified as a private foundation for future periods. Also, if you are classified as a private foundation, you will be treated as a private foundation from the date of your inception for purposes of sections **507(d)** and 4940.

Grantors and donors may rely on the determination that you are not a private foundation until 90 days after the end of your advance ruling period. If you submit the required information within the 90 days, grantors and donors may continue to rely on the advance determination until the Service makes a final determination of your foundation status. However, if notice that you will no longer be treated as a section 509(a)(2) organization is published in the Internal Revenue Bulletin, grantors and donors may not rely on this determination after the date of such publication. Also, a grantor or donor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act that resulted in your loss of section 509(a)(2) status, or acquired knowledge that the Internal Revenue Service had given notice that you would be removed from classification as a section 509(a)(2) organization.

P.O. Box 2508, Cincinnati, Ohio 45201

SURPLUS PROPERTY FEE SCHEDULE

GENERAL FEES: General merchandise items turned in to the Surplus Property Warehouse for disposal, all proceeds generated retained by the Division of Surplus Property to fund operations. Items with a valid Certificate of Title, the Division shall assess a 10% Administrative Fee on the sale proceeds with 90% being returned to the Agency which turned in the item.

Online sale for agencies with item(s) located outside of Frankfort that are not feasible for transport to the Surplus Property Warehouse, the Administrative Fee is 10% of revenue generated with 90% returned to the Agency for which the sale is being conducted.

ON SITE AUCTIONS: The following rates shall apply to all live auctions conducted by the Division of Surplus Property for live on site auctions:

Auctions that generate under \$ 1,250,000.00 gross sales revenue, the rate shall be 7% Seven Percent Buyers Premium and 7 % Seven Percent Administrative fee charged to the agency. There is a minimum of \$ 2,000.00 Administrative fee.

Auctions that generate over \$ 1,250,000.00 in gross sales revenue, the rate shall be 7% Seven Percent Buyers Premium and a flat Administrative fee of \$ 15,000.00.

All Simulcast Auctions: 10% Ten Percent Buyers Premium and 6% Six Percent Administrative fee with a minimum Administrative fee of \$ 2,500.00.

At Agency Site Spot Bid Sales: The Administrative fee shall be 10 Percent Administrative fee with a minimum of \$ 2,000.00.

ADVERTISING COSTS FOR LIVE ON SITE SALES:

Sales that generate less than \$100,000.00 in gross sales revenue, all advertising cost shall be paid by the agency for which the sale is conducted.

Sales that generate over \$100,000.00 in gross sales revenue, the advertising cost shall be split between the agency and Surplus Property equally.

FAP 111-54-00

TRADE-IN PURCHASES

1. An agency may trade in state owned personal property for the purchase of new equipment or products, if the property is declared surplus in accordance with FAP 220-19-00.
2. A Purchase Request submitted to the Office of Material and Procurement Services or an agency Solicitation sent to vendors shall note that a trade-in is included, and shall include a complete description of the item to be traded, including inventory identification number and serial number, if applicable. The agency shall specify the method by which potential respondents may inspect the property.
3. The executive director of the Office of Material and Procurement Services shall approve in advance a proposed purchase with trade-in that will not be competitively procured.
4. The agency property officer shall update inventory records upon completion of the transaction.

(KRS 45A.035)

FAP 118-11-00

LOST OR STOLEN PROPERTY

1. State-owned property that has been lost and cannot be established as having been stolen shall be removed from the agency's inventory. A lost or stolen property record explaining the loss shall be maintained by the cabinet or agency head.
2. If state-owned property is stolen, the theft shall be reported to the police authorities where the theft occurred. After receipt of a report from the police, the property officer shall delete the stolen item from the agency's fixed asset records.
3. If the stolen property is recovered and returned to the agency after deletion from its fixed asset records, the property officer shall restore the property to the agency's fixed asset records.
4. Records of lost and stolen property shall be subject to audit by the Finance and Administration Cabinet

{KRS 45.313; KRS 45A.045(5)}

FAP 220-19-00

SURPLUS STATE-OWNED PERSONAL PROPERTY: DECLARATION AND DISPOSAL

1. The Finance and Administration Cabinet, Division of Surplus Property shall dispose of state-owned personal property declared to be surplus to the needs of the Commonwealth, unless authority to declare and dispose of surplus property has been delegated to an agency head by the secretary of the Finance and Administration Cabinet. Disposal of surplus personal property shall be by one of the following methods:
 - a. Intra-agency or inter-agency transfer;
 - b. Use of the property as a trade in the procurement of a similar item;
 - c. Transfer to a unit of local government within the Commonwealth at a price determined by the Cabinet, and in accordance with FAP-220-20-00;
 - d. Transfer, at a price determined by mutual consent and in the Commonwealth's best interest, to a nonprofit organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, excluding a religious organization, or a nonprofit organization eligible to receive surplus federal property pursuant to 41 C.F.R. 101-44.207(c) and organized under the laws of the Commonwealth, another state, or the District of Columbia, or chartered under an Act of Congress, lawfully doing business in the Commonwealth of Kentucky, and serving a public purpose of an essentially governmental, civic, educational, or charitable nature, after first receiving from the recipient agency the certification and evidence of nonprofit status required in FAP 220-20-00;
 - e. Sale to the general public using either the sealed bid or auction, including consignment auction and internet auction methods of sale. Disposal by either of these methods shall be preceded by notice adequate to inform the general public of the sale, taking into consideration the estimated value of the items;
 - f. Disposal in accordance with applicable state and federal waste management laws and regulations if property is not suitable for transfer, trade, or sale; or
 - g. Other method as determined by the director of the Division of Surplus Property, in writing, to be in the best interest of the Commonwealth.
2. An agency wishing to dispose of state-owned personal property shall file with the Division of Surplus Property a State-Owned Personal Property Declared Surplus Form, B-217-2, prepared by the agency's property officer and approved by the agency head. The Division of Surplus Property shall determine the specific time, method, and grouping or bundling of items for disposal.
3. The secretary of the Finance and Administration Cabinet may delegate the authority to declare and dispose of surplus state-owned personal property to an agency head requesting delegation. The request for delegation shall:
 - a. Be signed by the agency head;
 - b. Assure that only property not needed or deemed non-serviceable by the agency shall be declared surplus;
 - c. Assure compliance with KRS Chapter 11A and that no employee of the Commonwealth shall personally benefit from the disposal of surplus property;

- d. Certify that disposal shall be in accordance with applicable federal and state laws and regulations, and Finance and Administration Cabinet policies and procedures;
 - e. Acknowledge that disposal of vehicles, boats, and other licensed equipment shall be excluded from the delegation unless specifically stated otherwise in the delegation, in accordance with section 9 below; and
 - f. Assure that disposal will serve the Commonwealth's best interests by seriously weighing each of the disposal options provided in section 1 above.
4. An agency with offices in or within five (5) miles of Franklin County that has been delegated authority to dispose of state-owned surplus personal property shall deliver the property to a Finance and Administration Cabinet, Division of Surplus Property warehouse for actual disposal, if property is suitable for transfer or sale, unless otherwise directed by the Division of Surplus Property.
5. An agency with offices more than five (5) miles outside of Franklin County that has been delegated authority to declare and dispose of state-owned surplus personal property may:
 - a. Deliver the property to a Finance and Administration Cabinet, Division of Surplus Property warehouse for actual disposal, if property is suitable for transfer or sale; or
 - b. Dispose of the property by one of the methods provided in section 1 above.
6. An agency that has been delegated authority to declare and dispose of state-owned surplus personal property shall:
 - a. Delete surplus items from agency inventory listings;
 - b. Maintain records of disposal;
 - c. Manage the accounting of any applicable federal interest in the property;
 - d. Retain the proceeds from the disposal of surplus property, unless the property has been delivered to a Finance and Administration Cabinet, Division of Surplus Property warehouse; and
 - e. Make records of surplus property disposition available for audit by the Finance and Administration Cabinet.
7. Property shall be delivered to a Finance and Administration Cabinet, Division of Surplus Property warehouse, only after calling to schedule delivery. Delivery shall be accompanied by a completed State-Owned Personal Property Declared Surplus Form, B-217-2, listing each item being delivered. The Division of Surplus Property shall retain all proceeds from disposal of property delivered to a Division of Surplus Property warehouse.
8. Records of surplus property disposition by agencies delegated authority to dispose of state-owned surplus personal property shall be subject to audit by the Finance and Administration Cabinet.
9. Vehicles, boats, and other similar licensed equipment shall be declared surplus and disposed of only upon approval by the secretary of the Finance and Administration Cabinet or his designee, unless an agency delegation specifically states that authority is delegated for these items. A request to surplus and dispose of vehicles, boats, or other similar licensed equipment shall be made on a State-Owned Personal Property Declared Surplus Form, B-217-2, and be accompanied by a current Certificate of Title. If the vehicle, boat, or other similar licensed equipment is inoperable and cannot feasibly be restored to an operable condition, the agency shall note the facts on the request so that an appropriate and efficient disposal method may be selected.
10. Proceeds from the sale of surplus vehicles, boats, or other licensed equipment shall be retained by, or returned to, the agency with a nominal handling charge set and deducted by the Division of Surplus Property if that division conducts the sale.

KRS 45A.045(5) 200 KAR 5:302(3)

FAP 220-20-00

SURPLUS STATE-OWNED PERSONAL PROPERTY: ELIGIBILITY AND RECEIPT

1. A unit of local government in the Commonwealth or a nonprofit organization described in FAP 220-19-00 section 3(d) may request surplus state personal property upon submitting evidence of its status as a unit of local government or tax-exempt nonprofit organization. Proof of eligibility may include a Donee Authorization Card issued by the Division of Surplus Property, an IRS letter granting or recognizing tax-exempt status, a local unit of government purchase order, or a request on official local government letterhead.
2. Personal property may be transferred to an entity described in section 1 above upon receipt of a signed acknowledgment including the items to be received by description, inventory number, serial number, quantity, and transfer charge, and containing a statement that the recipient agency:
 - a. Is a unit of local government or a nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, or a nonprofit organization eligible to receive federal surplus property pursuant to 41 C.F.R. 101-44.207(c).
 - b. Shall use the property for public purposes or to further its nonprofit mission, and that the property is not being acquired for other purposes, for sale, or for permanent use outside the Commonwealth.
 - c. Shall use all property received for at least one (1) year from date of receipt unless prior approval is granted for an alternate minimum use requirement by the Division of Surplus Property, Finance and Administration Cabinet.
 - d. Shall pay to the Commonwealth the proceeds of disposal, or the fair market value or fair rental value of the property, if the property is put into personal or other ineligible use, or is sold, traded, leased, or otherwise disposed of, within twelve (12) months of receipt, without approval of the Commonwealth. The amount of payment shall be determined as of the time of disposal or ineligible use, and shall be at the option of and as determined by the state agency. Payment shall not preclude any other legal action that the Commonwealth may pursue if criminal violation is suspected.
 - e. Shall, if requested during the twelve (12) months after receipt, report to the state agency the condition, use, and location of, answer other questions about, and allow inspection of the property.
 - f. Accepts the property "as is" and "where is" without warranty of any kind.
 - g. Holds the Commonwealth of Kentucky harmless from any and all losses, claims, expenditures, actions, causes of action, costs, damages, and obligations arising from this transaction and from the use of the property and the acts of the donee recipient, its agents, employees, and licensees that may result in injury to persons, damage to property, or loss of any sort, and to indemnify the Commonwealth of Kentucky from any and all liability, loss, or damage that it may suffer resulting therefrom or any other claims or judgments resulting therefrom.
3. Payment for transferred property shall be by local government or nonprofit agency check only. Personal checks shall not be accepted.
4. Title to any transferred property shall be in the name of the recipient agency.

Chapter 2: Guidelines for Agencies With Delegated Authority To Dispose of Surplus Personal Property

Introduction and Overview

Introduction

The General Assembly revised the statutes related to surplus property by passing House Bill 5 of the 1997 First Extraordinary Session that allows for disposal of surplus personal property in a more efficient manner. Now, individual cabinets, if delegated authority by the Secretary, Finance and Administration Cabinet, may declare and dispose of surplus property in a manner most advantageous to the cabinet within the established guidelines.



Obtaining approval for delegated authority has many advantages for the cabinet. First and foremost, delegation reduces costs by:

- eliminating the direct involvement of the Finance and Administration Cabinet,
- allowing local disposal of surplus property, thus decreasing transportation costs,
- permitting the use of surplus property for trade-in which, reduces replacement costs of purchases, and
- More quickly removing surplus property from the existing inventory.

Second, local disposal of property allows for cabinets/agencies to retain proceeds. Third, the relationships with local government and other non-profit partners can be enhanced through the sale/transfer of surplus property to those organizations.

Once authority has been delegated, the cabinet/agency is responsible for the

requirements in FAP-220-19-00, State-Owned Surplus Personal Property Declaration and Disposal. To assist cabinets in complying with the regulations and understanding the options and considerations related to surplus property disposal, the Finance and Administration Cabinet has issued this guidebook.

Overview

The purpose of this chapter is to serve as a resource for those cabinets with delegated authority in making surplus property decisions. The guidebook contains high-level information related to the following areas:

- What property must go through a surplus declaration and disposal process?
- How does property become surplus?
- What are the methods available to cabinets for disposal?
- What are the steps for each method?
- How can buyers and sellers be brought together?
- What are the cabinet responsibilities?

Included in this guidebook is a list of key contacts for surplus property, inventory, and disposal. Also, the appendix of the guidebook contains copies of regulations and samples of forms and notices that can be used for reference or as templates to fulfill the responsibilities of delegated authority.

What personal property must go through a Surplus Declaration and Disposal Process?

The surplus property declaration and disposal process is used to handle adjustments or changes to inventories of the cabinets. In short, all state-owned personal property and supplies that are no longer needed by the agency must go through a declaration and disposal process. However, delegated authority does not include **real property, weapons and ammunition, or licensed vehicles, boats, or other similarly licensed equipment**, unless the delegation specifically includes that authority.

Certain items that may be designated as surplus require special handling procedures that are not detailed in this guidebook. These “special property” items are as follows:

- Animals to be retired and placed in an appropriate home.
- EPA regulated materials-Hazardous Items. “Hazardous” items not suitable for sale or transfer must be disposed of in accordance with state, and federal, waste management laws and regulations: Examples include:
 - Lead acid batteries
 - Used tires
 - EPA regulated chemicals and materials
 - Biologically soiled items
 - Used mattresses
 - Items containing freon (other than automotive air conditioning systems).
 - Body Armor

For the hazardous items, please contact your cabinet’s hazardous materials coordinators,

if available, or the Division of Surplus Property, at 502-573-4836.

How does property become surplus?

Surplus property is generated primarily through the normal use of property or the procurement of replacement materials. Instead of storing the property for an indefinite period, the agencies should move forward with the appropriate disposal method for the surplus property. In addition, lost or missing items from the inventory must be declared surplus and removed from the inventory records.

How do I determine if the property is no longer needed?

The disposal process actually begins with a determination that the property is no longer needed or has become unsuitable for use. Property that is no longer needed is fairly easy to identify. Usually, replacement property, such as new furniture, is purchased. Many times, this extra property can still be used and would have value for another department, agency, cabinet, or the general public.

Determining whether or not the property has become unsuitable for public use is much more subjective. In most cases, unsuitable surplus property should be disposed through trash processes. Here are some tips to assist in the determination:

- Has the property been damaged beyond repair?
- Are there parts or pieces missing which can make the property dangerous?

- Is the property potentially hazardous or could it be a hazardous waste? For example, property, such as fabric dividers, can become hazardous if damaged by flood waters, which can contain biological hazards.
- Air conditioners, on the other hand, can be a chemical hazard. Air conditioners and refrigerators contain freon, which is a hazardous chemical and requires handling by a certified freon remover before disposal.

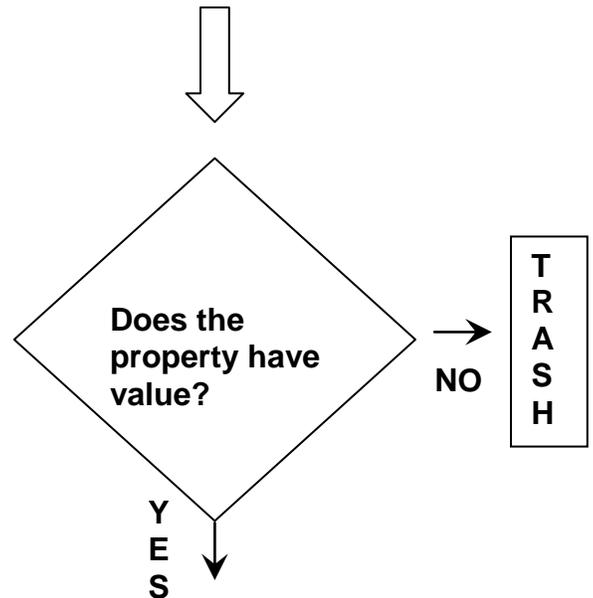
These few suggestions do not cover all property conditions. It is the responsibility of the cabinets to exercise judgement and common sense in determining suitability for public use.

Once the cabinet determines that items are no longer needed or not suitable for use, then the cabinet is responsible for going through the entire disposal process that is completed when the items are properly disposed of and removed from the appropriate inventories.

What if the property is or may be hazardous?

“Hazardous” items not suitable for sale or transfer must be disposed of in accordance with state, and federal, waste management laws and regulations. To obtain assistance with hazardous property contact a hazardous materials coordinator in your cabinet if available or the Division of Waste Management Division at 502-564-6716.

**START
HERE**



**Surplus Property
Disposal Process**

What are the methods available to cabinets for disposal?

Once property has been declared surplus, the agency can choose among several disposal methods. However, when an agency with

delegated authority is located in or within 5 miles of Franklin County, the method of disposal is limited to transfers to agencies, trade-ins, disposal as trash, or delivery to Finance Surplus, which will then complete the disposal.

The table below summarizes the disposal methods and consideration related to each.

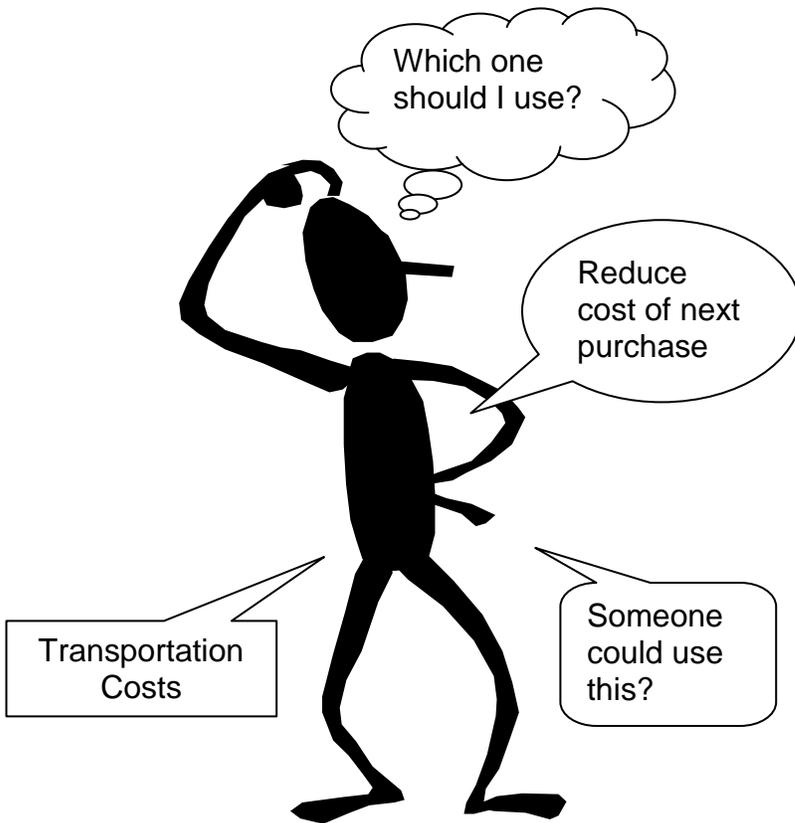
Methods of Disposal for Surplus Property

Types of Disposal	Recipient	Considerations/Factors
Transfer	Agency	<input type="checkbox"/> Determining Demand (Who Needs?) <input type="checkbox"/> Inter-account of funds <input type="checkbox"/> Transportation
	Local Government	<input type="checkbox"/> Proof of Eligibility <input type="checkbox"/> Payment by Official check only <input type="checkbox"/> Determining Demand <input type="checkbox"/> Property retainage policy (See FAP-220-20-00 Subject: State Owned Surplus Personal Property, Eligibility And Receipt)
	Non-profit organization	
	Finance Surplus Property	<input type="checkbox"/> Suitability for transfer or sale determination <input type="checkbox"/> Scheduling <input type="checkbox"/> Transportation Costs to Frankfort
Trade-in	Vendor	<input type="checkbox"/> Coordination by cabinet/Agency purchasing <input type="checkbox"/> Potential involvement by Purchasing Division of Finance and Administration <input type="checkbox"/> Handling of Property
Sale	General Public	<input type="checkbox"/> Sealed bid <input type="checkbox"/> Auction or Consignment Auction <input type="checkbox"/> Advertisement (Public notification) <input type="checkbox"/> Handling sales tax <input type="checkbox"/> State Employee Ethics
Trash	Waste Management Vendor	<input type="checkbox"/> Determination of Non-suitability to Transfer <input type="checkbox"/> Hazardous waste requirements <input type="checkbox"/> Assistance of the Division of Waste Management
Other	-----	<input type="checkbox"/> Approval of Director, Finance Surplus

Which method is best?

The best method of disposal for surplus property depends on several factors related to surplus property: type, quality, quantity, condition, availability of recipients, etc... In general, the idea is to dispose of surplus property as efficiently as possible within the established requirements of the Commonwealth. More often than not, each method will be chosen on a case-by-case basis.

However, after consideration of paperwork and process, the following lists prioritize the options and may be used as a guide for decision making.



Agencies located in or within 5 miles of Franklin County

1. Trade-in to reduce cost of purchases
2. Transfer within cabinet or to another state agency
3. Deliver to Surplus Property
4. Trash

Everybody Else

1. Trade-in to reduce cost of purchases.
2. Transfer within cabinet or to another state agency
3. Transfer to local government or non-profit organizations
4. Sell to the public
5. Trash
6. Other

What are the steps for each method?

Transfers to Agencies

Step 1: Determine who needs the surplus property and contact.

Agencies should first look within the cabinet to determine if other departments could use the surplus property. Transferring property within a cabinet can avoid administrative burden of handling payments or transporting property long distances. To transfer to an agency outside of the cabinet, you should use formal and informal networks to facilitate the transfer of property.

Step 2: Negotiate price, date of transfer, transportation and delivery, and moving services.

Several factors should be considered when transferring the surplus property to another agency:

- *Charging a price for the property is to be determined by the parties involved. However, there is no requirement that the receiving agency be charged.*
- *Transportation and moving costs: Availability of vehicles and staff, from either agency, affect the price.*
- *Planning: Many costs around transferring surplus property to another agency can be reduced through prior planning. For example, when transferring from an agency outside of Frankfort to an agency within Frankfort, agencies may look for opportunities to consolidate the surplus property with*

another load of goods going to Frankfort.

Step 3: Record and report surplus property actions using a surplus property form.

Before delegation of authority, agencies were required to fill in and submit Form B 217-2 to the Division of Surplus Property for all surplus property. With delegation, the agencies should use the B 217-2 & B217-3 for accounting and audit purposes; however, certain information or approvals are no longer required:

- *Approval signature of Finance and Administration, Division of Surplus Property*
- *A copy of the form sent to Surplus Property*

Step 4: Include agency accounting or purchasing personnel.

Payments for surplus property transferred to another agency must be handled through an inter-account transfer of funds. Assistance of an agency's accounting or purchasing personnel should be obtained to complete the transaction related to inter-account transfer or the handling of any federal interests in the property.

Step 5: Conduct transfer.

Step 6: Update inventory records and file appropriate records.

Records for Retention

- B217-2, Declared Surplus Form
- B217-3, Surplus Property Requisition
- Internal cabinet transfer documents

Trade-ins

Step 1: Seek information from purchasing officers and/or vendors to determine if the property can be used for trade-in on a new purchase.

Obtain vendor quotes and allowance for trade-in.

Step 2: Coordinate the handling and removal of surplus property with the purchasing officer and the vendor.

Step 3: Obtain appropriate records from vendor or purchasing officer.

Step 4: Update inventory and file appropriate records, using B-217-2 for documentation.

Records for Retention

- B217-2, Declared Surplus Form
- Vendor Quote/Allowance for Trade-in
- Correspondence
- Internal cabinet transfer documents

Transfers to Local Governments and Non-Profit Organizations

Step 1: Determine who may need the surplus property and contact.

At this time, no central register exists for surplus property, however the Division of Surplus Property maintains a web site where notices may be posted. Agencies should use formal and informal networks to facilitate the transfer of property to local governments and non-profit organizations. Seek out those agencies that assist your agency and your mission.

Step 2: Determine eligibility of the local government or non-profit organization.

In this case, surplus property must go to an organization defined as a local government or non-profit. There are several ways to determine eligibility, however, one way is to refer to the Division of Surplus Property. (Note: not all eligible local governments or non-profits are registered with Surplus Property) However, for local governments, eligibility can also be established through one of the following:

- *Request for surplus property on the official purchase order of the local government*
- *Request for surplus property on the official government letterhead*
- *Presentation of a Donee card issued by Surplus Property*

Non-profit organizations can establish eligibility through one of the following:

- *Presentation of a Donee card issued by Finance Surplus Property.*
- *Presentation of an IRS letter recognizing the 501[c] 3 non-profit status of the agency. (see example in the Appendix)*

Assistance with these determinations can be obtained from the Division of Surplus Property, at 502-573-4836.

Step 3: Negotiate price, date of transfer, transportation and delivery, and moving services.

Charging a price for the property is to be determined by the parties involved. However, there is no requirement that the receiving agency be charged. Payments for surplus property transferred to a local government or non-profit organization can only be paid with official organization checks, i.e., no personal checks. Transportation costs should be considered and, in most cases, paid for by the receiving organization.

Step 4: Document transfer surplus property through Form B217-42A.

For all transfers to local governments or non-profits, Forms B217-2 & B217-42A must be completed and kept on file. Examples of both Forms can be found in the Appendix.

Step 5: Document approval of surplus property with surplus property forms.

Before delegation of authority, agencies were required to fill in and submit Form B 217-2 to the Division of Surplus Property for all surplus property. With delegation, the agencies should use the B 217-2 for accounting and audit purposes, however, Finance Surplus Property signatures are not required.

Step 6: Conduct transfer.

Step 7: Update inventory and file appropriate records.

Records for Retention

- B217-2, Declared Surplus Form
- B217-42A Direct Transfer
- Correspondence
- Copies of CR Document
- Closeout forms

Sales to the General Public

Step 1: Choose appropriate sales method: public auction, consignment auction, online auction or sealed bid.

Live public auctions are mostly used for large quantities of mixed items. Consignment auctions can now be used and would be a good disposal method for small to medium quantity of items. Agencies may negotiate with the auction house on percent of sales charges, for pick-up of goods and for a complete report of item by item sale prices.

Online auctions are used for individual items and small quantities located outside Franklin County and for items that are not feasible for transport to the Surplus Warehouse for disposal. These items are disposed of through either the Gov Deals or Public Surplus sales platforms and there is a 10% Administrative Fee assessed by Surplus Property for items disposed of via this method.

There is a schedule Administrative Fees assessed by the Division of Surplus Property for items it sells for agencies included in the Appendix .

Sealed bids are rarely used. They are usually only for unique items with a very limited market. Contracts written around the sale should include an “as-is” and ”where-is” clause in order to protect the Commonwealth from liability related to the property.

Step 2: Establish date, time, services, and place for auction or date for bid opening.

The Appendix also includes a sample sealed bid form, on which the terms of the sale are specified. Advice on and assistance with sealed bids can be obtained from the Division of Surplus Property, at 502-573-4836.

Step 3: Public notice for auction or bid.

Notice adequate to inform the general public of a sale or auction is required. Any agency may satisfy this requirement by having its notice placed on the Finance Division of Surplus Web Page specifically dedicated to such sales. The notice should be e-mailed to the Division of Surplus Property. To facilitate the processing of this notice, please follow the formatting recommendation in the Appendix. Newspaper advertising is not strictly required, but is generally appropriate. If placing paid advertising, select the outlet you think will generate the best customers. Local newspapers, regional newspapers, statewide newspapers, and technical journals are potential outlets.

The notice should be given at least 14 days prior to the sealed bid opening or auction date. Assistance with notification can be obtained by contacting the Division of Surplus Property, Finance and Administration Cabinet. An example of a notice can be found in the appendix. This may be used as a guide for the content of a notice, i.e. “what is being sold, where, by whom, and when.” If the consignment auction method were chosen, the auction house advertising would satisfy the public notice requirement.

NOTE: The 6% sales tax must be charged to any buyer not exempt from paying sales tax. Agency is responsible for reporting and paying the tax collected to the Department of Revenue. Tax forms can be obtained from the Sales and Use Tax Section of the Department of Revenue, 502-564-5170. With consignment houses, cabinets are responsible for ensuring that sales tax payment provisions are a part of the contract.

Step 4: Hold auctions or receive bids.

For sealed bids, all bids should be opened, tabulated, and evaluated after the deadline for receiving bids. Then the winning bidder

Sealed Bid Process

1. Define items to be sold
2. Advertise sealed bid
3. Send out bid forms and related information, such as contamination of materials.
4. Receive bid forms
5. Review bids and declare winner
6. Notify winning bidder by mail: total cost of bid plus 6% sales tax and contact person
7. Receive monies for bid and deposit accordingly
8. Send deposits to losing bidders on sealed bid
9. Report sales tax to Revenue on Form 51A102: Sales Use Tax Return and Revenue Journal Voucher Form 21A502 and Journal Voucher DOA-1.

should be notified and given a reasonable time to remove his purchase.

Auction Process

1. Identify items for sale
2. Contract with Auctioneer
3. Advertise auction
4. Mark sale items or lots
5. Register bidders
6. Conduct auction
7. Receive money & sales tax
8. Documentation of proceeds
9. Pay taxes
10. CR Document to deposit money
11. Post-audit records

general public. All checks over the amount of \$5,000.00 are to be accompanied by a bank letter guaranteeing payment. If deposit checks are to be submitted with the bids, the checks of the losing bidders should be voided and returned after the winning bidder has removed the purchase. While deposits are not specifically required, they can be useful when offering high value items.

In some cases, winning bidders do not claim property. It is appropriate for the cabinet to retain the deposit if the bidder does not contact the agency by the specified time for pickup of property.

Step 6: Dispose unsold goods through another process.

Generally, property that has not been purchased through the auction or bid processes can be disposed of as trash.

Step 7: File appropriate records, using the B-217-2 for documentation.

Step 5: Handling received payments.

Personal checks, payable to “Kentucky State Treasurer”, may be accepted at sales to the

Records for Retention

Sealed Bids:

- B217-2, Declared Surplus Form
- Advertising
- Descriptions of property
- Mailing lists (if using)
- Sealed bid forms
- Copies of checks
- Bid tabulation
- Correspondence
- Copies of CR Document
- Sales tax journal vouchers

Consignment Auctions:

- Copy of contract
- B217-2, Declared Surplus Form
- Auction house settlement report

Public Auction:

- B217-2, Declared Surplus Form
- Advertising
- Descriptions of property
- Mailing lists
- Conditions of Sales
- Bidder registration
- Auction tickets
- Claim checks
- Total amount received for item sold & total sale
- Sales Tax Journal Voucher
- Copies of CR Document

Delivery to Finance Surplus Property

Step 1: Determine the suitability of the surplus property for transfer or sale.

The following criteria should be used for suitability determinations:

- *Is the total value of the property much lower than the transportation costs for shipping to Frankfort?*
- *Are replacement parts readily available?*
- *Condition of the property*
 - *Is it damaged beyond repair?*
 - *Is it too costly to repair?*
 - *Are there parts or pieces missing?*
 - *Is it significantly out of date technologically?*
 - *Is it potentially hazardous waste?*
- *Have local governments and non-profit organizations refused the property?*
- *Are the items fully functional?*

If the property is not useable by anyone, then the property should be disposed of as trash with a waste management vendor.

Step 2: Contact the Division of Surplus Property to schedule delivery.

Please schedule delivery in advance due to limited dock space and volume of property handled by Surplus Property.

Division of Surplus Property
999 Chenault Road
Frankfort, KY 40601
502-573-4836

Step 3: Arrange for delivery either through agency resources or movers.

The Department of Corrections has moving resources available by contacting:

Department of Corrections
Kentucky Correctional Industries
Moving Services
3111 Spurr Road
Lexington, KY 40511
(859) 246-2379 ext. 226

Step 4: Document approval of surplus property via SPMS.

Before delegation of authority, agencies were required to fill in and submit Form B 217-2 to the Division of Surplus Property for all surplus property. All agencies that turn in property to the DSP Warehouse are now required to process all such transactions with a Surplus Request via the Surplus Property Management System (SPMS).

Step 5: Conduct transfer.

Once the Surplus Request has been processed and Authorized via SPMS, a delivery date must then be coordinated with DSP.

Step 6: Update inventory and file appropriate records.

- Final Completed hardcopy of SPMS Surplus Request
- Internal cabinet forms

Trash

Step 1: Determine that the surplus property is not suitable for further use.

Determining whether or not the property is suitable for public use is subjective. Here are some tips to assist in the determination:

- *Has the property been damaged beyond repair?*
- *Are there parts or pieces missing which can make the property dangerous?*
- *Is the property potentially hazardous or could be a hazardous waste? For example, property, such as fabric dividers, can become hazardous if damaged by flood waters, which can contain biological hazards.*
- *Air conditioners, on the other hand, can be a chemical hazard. Air conditioners or refrigerators contain freon that is a hazardous chemical and requires handling by a certified freon remover before disposal.*

These few suggestions do not cover every type of property. It is the responsibility of the cabinets to exercise judgement and common sense in determining suitability for this type of disposal.

Step 2: Determine if any of the material is hazardous or in need of special handling.

Consult the hazardous materials coordinator in your cabinet, if available, or contact the Environment and Energy Cabinet for assistance related to the proper disposal of hazardous material. Special procedures must be followed for handling most of these materials. For assistance,

please contact the Hazardous Waste Branch, Waste Management Division at 502-564-6716.

“Hazardous” items not suitable for sale or transfer must be disposed of in accordance with state and federal waste management laws and regulations. Examples include:

- *Lead acid batteries*
- *Used tires*
- *EPA regulated chemicals and materials*
- *Biologically soiled items*
- *Used mattresses*
- *Items containing freon (other than automotive air conditioning systems). These items need to be stamped by a licensed hazardous waste person as handled properly.*
- *Body Armor*

Step 3: Contact waste management vendor for disposal or use services currently in place at your facility.

Step 4: File appropriate records, using the form B-217-2 for recording the transaction.

- B217-2, Declared Surplus Form
- Internal cabinet forms
- Hazardous waste handling documentation

Other

Agencies may propose disposal methods that are not included in this guidebook. For those instances, prior approval of the Director of the Division of Surplus must be obtained for any alternate method.

How can buyers and sellers be brought together?

- When replacement equipment will be purchased, talk to the vendor about the possibility of a trade-in.
- Use the Division of Surplus Website to notify other agencies of surplus property or to announce the sale of the surplus property to the general public.
- E-mail or send correspondence to local government officials, schools, and non-profit organizations that may assist or have a related purpose to the agency's mission.
- Start an e-mail list for announcements of available property.
- Contact local auction houses and see if they offer consignment auctions.

What are the cabinet responsibilities?

Cabinets with delegated authority are responsible for retaining, for eight years, certain records related to surplus property:

- ❑ Form B217-2 for Delegated Authority cabinets must be completed.
- ❑ Form 42A is also completed, when the sale or transfer is to eligible non-profit organizations or local governments. This form is necessary to comply with FAP-220-20-00 section (2).
- ❑ Police report, when the item is stolen.
- ❑ Settlement papers, when the item is insured.
- ❑ For missing items, document the facts, as you know them.

In addition, the agency with delegated authority is responsible for:

- ❑ Sales tax from sales or auctions.
- ❑ Consignment auction contracts should be signed by the authorized individual as determined by the agency head.
- ❑ The accounting and disposition of any federal interest in the property.
- ❑ The deposit of receipts from sales in accordance with state laws, regulations and policies.
- ❑ Updating inventory records for acquisitions and disposals to insure accurate records and adequate insurance coverage.
- ❑ Agencies are responsible for establishing a surplus property tracking number, unique to the agency. This number will be used as the agency's "DS#" on the Declared Surplus form.

Glossary

Consignment Auction: Auction held by specialized agents on a fee or commission basis. A consignment house, as it is called, may be a good decision given the volume of work involved with preparation and conduct of an auction.

EPA: U.S. Environmental Protection Agency

Federal interests: The federal government provides funding for various programs and property of the Commonwealth. This funding establishes an interest in the property.

Inter-account of Funds: Transfer of funds from one agency to another within the Commonwealth of Kentucky. Your agency accounting organization can provide the assistance to allow transfers to occur.

Pay-in voucher: Document used for depositing money into the State Treasury.

Personal Property: Nonexpendable property or equipment owned by the Commonwealth such as tables, desks, chairs, computers, etc...

Proof of Eligibility: Organizations must provide the Commonwealth with evidence of its status as a unit of local government or tax-exempt nonprofit organization.

Property retainage policy: Local governments or non-profits are required to keep property transferred to them from the Commonwealth for a specified period of time.

Real property: Real property is the land and buildings owned by the Commonwealth.

Sales Tax Journal Voucher: Document used to report sales tax.

Fixed Asset Reportable: Generally, assets with a cost of \$5,000 or more. For assistance, contact the Fixed Assets Branch of the Finance and Administration Cabinet.

SPMS: Surplus Property Management System. The online accessible inventory management system of the Division of Surplus Property. Site may be accessed at the web address:
<https://ky.state.surplus.ky.gov/>

Appendix

INSTRUCTION for Form B217-42A: Form to be filled out by the requesting agency and returned to the surplus agency. Form to be attached by the surplus agency to the B217-2 Declared Surplus form.

The agency requesting this property certifies that it:

- a. Is a unit of local government or a nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code or a nonprofit organization eligible to receive federal surplus property pursuant to 41 C.F.R. 101-44.207(c).
- b. Shall use the property for public purposes or to further its nonprofit mission and that it is not being acquired for other purposes, for sale, or for permanent use outside the Commonwealth.
- c. Shall use all property received for at least one (1) year from date of receipt unless prior approval is granted for an alternate minimum use requirement by the Division of Surplus Property, Finance and Administration Cabinet.
- d. Shall pay to the Commonwealth the proceeds of disposal or the fair market value or fair rental value of the property if the property is put into personal or other ineligible use, or, is sold, traded, leased, or otherwise disposed of, within twelve (12) months of receipt, without approval of the Commonwealth. Such payment shall be determined as of the time of such disposal or ineligible use, and shall be at the option of and as determined by the state agency. Payment shall not preclude any other legal action that the state may pursue if criminal violation is suspected.
- e. Shall, if requested during the twelve (12) months after receipt, report to the state agency the condition, use, and location of, answer other questions about, and allow inspection of the property.
- f. Accepts the property "as is" and "where is" without warranty of any kind.
- g. Holds the Commonwealth of Kentucky harmless from any and all losses, claims, expenditures, actions, causes of action, costs, damages, and obligations arising from this transaction and from the use of the property and the acts of the donee recipient, its agents, employees, and licensees that may result in injury to person or persons, damage to property, or loss of any sort, and to indemnify the Commonwealth of Kentucky from any and all liability, loss, or damage that it may suffer resulting therefrom or any other claims or judgments resulting therefrom.
- i. Shall title any transferred property for which titles are required in the name of the recipient agency.

Internal Revenue Service
Department of the Treasury
District Director

SAMPLE: 501(c)(3) Letter

Date: NOV 07 1980

Employer Identification Number:

Accounting Period Ending:

December 31

CIN: EO: '81 0 2 0 8

Foundation Status Classification: 509 (a) (2)

Advance Ruling Period Ends: December 31, 1981

Person to Contact: Dale Pepper

Contact Telephone Number: 513-684-3866

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably be expected to be a publicly supported organization described in section 509(a)(2).

Accordingly, you will be treated as a publicly supported organization, and not as a private foundation, during an advance ruling period. This advance ruling period begins on the date of your inception and ends on the date shown above.

Within 90 days after the end of your advance ruling period, you must submit to us information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, you will be classified as a section 509 (a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, you will be classified as a private foundation for future periods. Also, if you are classified as a private foundation, you will be treated as a private foundation from the date of your inception for purposes of sections **507(d)** and 4940.

Grantors and donors may rely on the determination that you are not a private foundation until 90 days after the end of your advance ruling period. If you submit the required information within the 90 days, grantors and donors may continue to rely on the advance determination until the Service makes a final determination of your foundation status. However, if notice that you will no longer be treated as a section 509(a)(2) organization is published in the Internal Revenue Bulletin, grantors and donors may not rely on this determination after the date of such publication. Also, a grantor or donor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act that resulted in your loss of section 509(a)(2) status, or acquired knowledge that the Internal Revenue Service had given notice that you would be removed from classification as a section 509(a)(2) organization.

P.O. Box 2508, Cincinnati, Ohio 45201

SAMPLE NOTICE OF SURPLUS PROPERTY AUCTION OR SEALED BID SALE

(For posting on Finance Surplus WEB Page)

Supply the following information **AT LEAST 3 WEEKS BEFORE THE SALE DATE**, preferably by e-mail, to the Division of Surplus Property

AGENCY NAME

SALE DATE/TIME

LOCATION

TYPE OF SALE

(sealed bid, auction, or consignment auction)

**DESCRIPTION
OF PROPERTY**

AGENCY CONTACT:

(Person to contact for bid form or to arrange
to inspect the property)

Give name and e-mail address or phone #

The above information may be composed in any of the major word processing or text editing packages used by the Commonwealth (Word, WordPerfect, Notepad). The information should flow **DOWN** the page as shown above, not tabbed across the page. **Do not use tabs or all capital letters** in you descriptions. Bolding, italics, etc. may be used, but is not necessary.

This notice will satisfy legal requirements. Other forms of notice may be appropriate to generate buyer interest in your surplus property.

SAMPLE ADVERTISEMENT FOR SALE OF SURPLUS PROPERTY

A. Paid newspaper advertisement is costly. Keep the ad as brief as possible.

For sale by sealed bid: DESCRIBE BRIEFLY WHAT IS BEING SOLD.

The (STATE AGENCY NAME) will accept sealed bids for the above until TIME AND DATE. Contact (AGENCY REPRESENTATIVE'S NAME AND PHONE #) for sale details and bid form.

Or

The (STATE AGENCY NAME) will sell at public auction on (DATE AND TIME) at (SALE LOCATION) the following surplus property: (DESCRIBE PROPERTY). All property will be sold "as is/where is". Terms of sale will be cash, day of sale. Property may be inspected (TELL WHEN & WHERE THE PROPERTY CAN BE SEEN, EVEN IF THAT WILL ONLY BE ALLOWED ON THE DAY OF THE SALE.)

OPTIONAL ADDITIONAL FORMS OF ADVERTISING

Agencies may also mail notices to potentially interested buyers, may advertise on local radio or television outlets and in trade journals, and may use any other advertising that, in its judgement, would promote interest in the purchase of the surplus property.

BID PACKET

**NOTICE TO ALL BIDDERS
FOR YOUR BID TO BE ACCEPTED
IT MUST BE:**

1. On the Official Bid Form
2. Based on the unit quantity specified
3. Signed and completed on reverse side
4. Received prior to deadline for receiving bids
5. Accompanied by payment

**COMMONWEALTH OF KENTUCKY
Sale of Surplus Property**

ADDRESS BIDS TO:

BID CLERK

AGENCY

ADDRESS

PHONE NO:

BID FORM AND TERMS OF SALE

PAGE 1

PLEASE NOTE: All Bids Must Be Based On A Price For The Unit Quantity (Ton, Pound, Lot, Etc.) As Specified Below. Any Bids Which Do Not Have A Signature and Information Required On The Back Of This Form Shall Be Rejected.

SALE NUMBER	AGENCY CONTACT:
DATE OF BID OPENING	LOCATION OF MATERIAL TO BE SOLD:
DEADLINE FOR RECEIVING BIDS	
AMOUNT OF DEPOSIT REQUIRED	
REMOVAL PERIOD (WITHIN FIVE (5) WORKING DAYS AFTER NOTICE OF BID ACCEPTANCE)	INSPECTION AND REMOVAL TIME AM to PM MONDAY thru FRIDAY

THE FOLLOWING IS MY OFFER FOR THE PURCHASE AND REMOVAL OF THE PROPERTY LISTED BELOW. THIS OFFER IS MADE SUBJECT TO THE CONDITIONS FOR THIS SALE AND THE TERMS CONTAINED HEREIN. PAYMENT MUST ACCOMPANY BID FORM. PAYMENTS ARE TO BE MADE TO THE "KENTUCKY STATE TREASURER".

PROPERTY:

	AMOUNT
OFFER	_____
Add 6% Sales Tax	_____
or Provide Sales Tax Exemption No.	_____
TOTAL ENCLOSED	_____

TERMS AND CONDITIONS OF SALE

1. **METHOD OF SALE** Sealed bids will be received by the **BID CLERK**, at the address listed, until the deadline for receiving bids, and will then be publicly opened. Envelope must be identified as a sealed bid in order to prevent bid from being prematurely opened.

2. **PAYMENTS ARE REQUIRED WITH BID. ENCLOSE THE AMOUNT BID PLUS 6% SALES TAX.** Pay by **CHECK** or **MONEY ORDER** payable to the **KENTUCKY STATE TREASURER**. Check of unsuccessful bidder will be returned within five (5) working days after the acceptance of the successful bid.

3. **REJECTION OF OFFERS** The Commonwealth reserves the unqualified right to reject any and all offers.

4. **OWNERSHIP OF MATERIALS** The successful bidder, upon notification of award, shall become the owner of the material in accordance with the terms of the sale and subject to the payment of the bid price in the manner specified. The **STATE** will regard property not removed within the specified time as having been abandoned and will have the right to dispose of such property as its own.

5. **DECLARATION** In submitting this offer, the undersigned declares, warrants and agrees:
 - A. That he has carefully examined the terms of sale, the specifications and conditions of the sale, has had an opportunity to examine the property to be sold and the conditions governing the removal of same and that in signing this offer form it is understood that the goods shall be sold "AS-IS" and "WHERE-IS" and that the seller makes no warrant of merchantability or fitness for any particular purpose.

 - B. That if he is the successful bidder and is awarded the property, he will complete the removal in the specified time and make full payment as required by the terms of sale.

6. **AUTHENTICATION OF BID AND AFFIDAVIT OF NON-COLLUSION AND NON-CONFLICT OF INTEREST** I, the bidder, certify that my bid submitted hereon has been arrived at by me independently and has been submitted without collusion with and without any agreement, understanding, or planned common course of action with any other bidder or **STATE** employee designed to limit independent bidding or competition; that the content of the bid has not been communicated by me to any other person not an employee or agent of the bidder and will not be communicated to any person prior to the official opening of the bid or bids; that I am legally entitled to enter into contracts with the Commonwealth of Kentucky and am not in violation of any prohibited conflict of interest; that I have fully informed myself regarding the accuracy of the statements made in this affidavit; that I have read the entire content of this Invitation to Bid including the Terms of Sale, and accept all the terms and conditions herein as a part of my bid and I will be bound by the same. I am not relying on any statement, verbal or otherwise, not contained herein. I have examined the property identified above and acknowledge its condition.

PLEASE TYPE OR PRINT IN INK (EXCEPT SIGNATURE)

NAME OF FIRM (OR INDIVIDUAL)	NAME AND TITLE (IF BID IS FROM A COMPANY)
TELEPHONE NUMBER	ADDRESS
DATE	SIGNATURE

FAP 111-54-00

TRADE-IN PURCHASES

1. An agency may trade in state owned personal property for the purchase of new equipment or products, if the property is declared surplus in accordance with FAP 220-19-00.
2. A Purchase Request submitted to the Office of Material and Procurement Services or an agency Solicitation sent to vendors shall note that a trade-in is included, and shall include a complete description of the item to be traded, including inventory identification number and serial number, if applicable. The agency shall specify the method by which potential respondents may inspect the property.
3. The executive director of the Office of Material and Procurement Services shall approve in advance a proposed purchase with trade-in that will not be competitively procured.
4. The agency property officer shall update inventory records upon completion of the transaction.

(KRS 45A.035)

FAP 118-11-00

LOST OR STOLEN PROPERTY

1. State-owned property that has been lost and cannot be established as having been stolen shall be removed from the agency's inventory. A lost or stolen property record explaining the loss shall be maintained by the cabinet or agency head.
2. If state-owned property is stolen, the theft shall be reported to the police authorities where the theft occurred. After receipt of a report from the police, the property officer shall delete the stolen item from the agency's fixed asset records.
3. If the stolen property is recovered and returned to the agency after deletion from its fixed asset records, the property officer shall restore the property to the agency's fixed asset records.
4. Records of lost and stolen property shall be subject to audit by the Finance and Administration Cabinet

{KRS 45.313; KRS 45A.045(5)}

FAP 220-19-00

SURPLUS STATE-OWNED PERSONAL PROPERTY: DECLARATION AND DISPOSAL

1. The Finance and Administration Cabinet, Division of Surplus Property shall dispose of state-owned personal property declared to be surplus to the needs of the Commonwealth, unless authority to declare and dispose of surplus property has been delegated to an agency head by the secretary of the Finance and Administration Cabinet. Disposal of surplus personal property shall be by one of the following methods:
 - a. Intra-agency or inter-agency transfer;
 - b. Use of the property as a trade in the procurement of a similar item;
 - c. Transfer to a unit of local government within the Commonwealth at a price determined by the Cabinet, and in accordance with FAP-220-20-00;
 - d. Transfer, at a price determined by mutual consent and in the Commonwealth's best interest, to a nonprofit organization that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, excluding a religious organization, or a nonprofit organization eligible to receive surplus federal property pursuant to 41 C.F.R. 101-44.207(c) and organized under the laws of the Commonwealth, another state, or the District of Columbia, or chartered under an Act of Congress, lawfully doing business in the Commonwealth of Kentucky, and serving a public purpose of an essentially governmental, civic, educational, or charitable nature, after first receiving from the recipient agency the certification and evidence of nonprofit status required in FAP 220-20-00;
 - e. Sale to the general public using either the sealed bid or auction, including consignment auction and internet auction methods of sale. Disposal by either of these methods shall be preceded by notice adequate to inform the general public of the sale, taking into consideration the estimated value of the items;
 - f. Disposal in accordance with applicable state and federal waste management laws and regulations if property is not suitable for transfer, trade, or sale; or
 - g. Other method as determined by the director of the Division of Surplus Property, in writing, to be in the best interest of the Commonwealth.
2. An agency wishing to dispose of state-owned personal property shall file with the Division of Surplus Property a State-Owned Personal Property Declared Surplus Form, B-217-2, prepared by the agency's property officer and approved by the agency head. The Division of Surplus Property shall determine the specific time, method, and grouping or bundling of items for disposal.
3. The secretary of the Finance and Administration Cabinet may delegate the authority to declare and dispose of surplus state-owned personal property to an agency head requesting delegation. The request for delegation shall:
 - a. Be signed by the agency head;
 - b. Assure that only property not needed or deemed non-serviceable by the agency shall be declared surplus;
 - c. Assure compliance with KRS Chapter 11A and that no employee of the Commonwealth shall personally benefit from the disposal of surplus property;

- d. Certify that disposal shall be in accordance with applicable federal and state laws and regulations, and Finance and Administration Cabinet policies and procedures;
 - e. Acknowledge that disposal of vehicles, boats, and other licensed equipment shall be excluded from the delegation unless specifically stated otherwise in the delegation, in accordance with section 9 below; and
 - f. Assure that disposal will serve the Commonwealth's best interests by seriously weighing each of the disposal options provided in section 1 above.
4. An agency with offices in or within five (5) miles of Franklin County that has been delegated authority to dispose of state-owned surplus personal property shall deliver the property to a Finance and Administration Cabinet, Division of Surplus Property warehouse for actual disposal, if property is suitable for transfer or sale, unless otherwise directed by the Division of Surplus Property.
 5. An agency with offices more than five (5) miles outside of Franklin County that has been delegated authority to declare and dispose of state-owned surplus personal property may:
 - a. Deliver the property to a Finance and Administration Cabinet, Division of Surplus Property warehouse for actual disposal, if property is suitable for transfer or sale; or
 - b. Dispose of the property by one of the methods provided in section 1 above.
 6. An agency that has been delegated authority to declare and dispose of state-owned surplus personal property shall:
 - a. Delete surplus items from agency inventory listings;
 - b. Maintain records of disposal;
 - c. Manage the accounting of any applicable federal interest in the property;
 - d. Retain the proceeds from the disposal of surplus property, unless the property has been delivered to a Finance and Administration Cabinet, Division of Surplus Property warehouse; and
 - e. Make records of surplus property disposition available for audit by the Finance and Administration Cabinet.
 7. Property shall be delivered to a Finance and Administration Cabinet, Division of Surplus Property warehouse, only after calling to schedule delivery. Delivery shall be accompanied by a completed State-Owned Personal Property Declared Surplus Form, B-217-2, listing each item being delivered. The Division of Surplus Property shall retain all proceeds from disposal of property delivered to a Division of Surplus Property warehouse.
 8. Records of surplus property disposition by agencies delegated authority to dispose of state-owned surplus personal property shall be subject to audit by the Finance and Administration Cabinet.
 9. Vehicles, boats, and other similar licensed equipment shall be declared surplus and disposed of only upon approval by the secretary of the Finance and Administration Cabinet or his designee, unless an agency delegation specifically states that authority is delegated for these items. A request to surplus and dispose of vehicles, boats, or other similar licensed equipment shall be made on a State-Owned Personal Property Declared Surplus Form, B-217-2, and be accompanied by a current Certificate of Title. If the vehicle, boat, or other similar licensed equipment is inoperable and cannot feasibly be restored to an operable condition, the agency shall note the facts on the request so that an appropriate and efficient disposal method may be selected.
 10. Proceeds from the sale of surplus vehicles, boats, or other licensed equipment shall be retained by, or returned to, the agency with a nominal handling charge set and deducted by the Division of Surplus Property if that division conducts the sale.

KRS 45A.045(5) 200 KAR 5:302(3)

SURPLUS STATE-OWNED PERSONAL PROPERTY: ELIGIBILITY AND RECEIPT

1. A unit of local government in the Commonwealth or a nonprofit organization described in FAP 220-19-00 section 3(d) may request surplus state personal property upon submitting evidence of its status as a unit of local government or tax-exempt nonprofit organization. Proof of eligibility may include a Donee Authorization Card issued by the Division of Surplus Property, an IRS letter granting or recognizing tax-exempt status, a local unit of government purchase order, or a request on official local government letterhead.
2. Personal property may be transferred to an entity described in section 1 above upon receipt of a signed acknowledgment including the items to be received by description, inventory number, serial number, quantity, and transfer charge, and containing a statement that the recipient agency:
 - a. Is a unit of local government or a nonprofit organization exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, or a nonprofit organization eligible to receive federal surplus property pursuant to 41 C.F.R. 101-44.207(c).
 - b. Shall use the property for public purposes or to further its nonprofit mission, and that the property is not being acquired for other purposes, for sale, or for permanent use outside the Commonwealth.
 - c. Shall use all property received for at least one (1) year from date of receipt unless prior approval is granted for an alternate minimum use requirement by the Division of Surplus Property, Finance and Administration Cabinet.
 - d. Shall pay to the Commonwealth the proceeds of disposal, or the fair market value or fair rental value of the property, if the property is put into personal or other ineligible use, or is sold, traded, leased, or otherwise disposed of, within twelve (12) months of receipt, without approval of the Commonwealth. The amount of payment shall be determined as of the time of disposal or ineligible use, and shall be at the option of and as determined by the state agency. Payment shall not preclude any other legal action that the Commonwealth may pursue if criminal violation is suspected.
 - e. Shall, if requested during the twelve (12) months after receipt, report to the state agency the condition, use, and location of, answer other questions about, and allow inspection of the property.
 - f. Accepts the property "as is" and "where is" without warranty of any kind.
 - g. Holds the Commonwealth of Kentucky harmless from any and all losses, claims, expenditures, actions, causes of action, costs, damages, and obligations arising from this transaction and from the use of the property and the acts of the donee recipient, its agents, employees, and licensees that may result in injury to persons, damage to property, or loss of any sort, and to indemnify the Commonwealth of Kentucky from any and all liability, loss, or damage that it may suffer resulting therefrom or any other claims or judgments resulting therefrom.
3. Payment for transferred property shall be by local government or nonprofit agency check only. Personal checks shall not be accepted.
4. Title to any transferred property shall be in the name of the recipient agency.