



Equipment Disposition Guidelines

OVERVIEW:

Disposition of equipment that was originally supported by the Washington State Department of Agriculture (WSDA) Food Assistance (FA) funding must comply with the guidance in this document. If an organization's internal policies or procedures are more restrictive, then the organization should follow the stricter of the two policies or procedures.

If an organization has no further need of equipment purchased in full or in part with WSDA FA funds, then WSDA FA approval is required prior to the disposition.

If an organization is a Sub Agency within a WSDA FA core program (EFAP, EFAP-Tribal, TEFAP, CSFP), but holds a direct Agreement with WSDA FA for a project, then they are considered a Lead Agency in that particular Agreement and for that purchase. If there is not an Agreement between the Sub Agency and WSDA FA for that project, then that organization's Lead Agency is responsible for following these guidelines. Communication between Sub Agencies and Lead Agencies is always recommended so matters of funding and additional requirements may be discussed.

NEW CAPITALIZATION THRESHOLD:

Effective October 1, 2024, all purchases of equipment and associated equipment repairs procured with state or federal funding will be using the capitalization threshold of \$10,000, including the inventory threshold. All purchases and repairs made prior to October 1, 2024 will continue to be inventoried and tracked under the old threshold of \$5,000 until disposition.

DEFINITIONS:

Acquisition Cost: The total costs incurred in acquiring and readying an asset for its intended use, including the cost of modifications, accessories, and ancillary charges.

Disposition: The disposal of equipment when the equipment is no longer needed or functioning. Types of disposition include selling, trading-in, transferring, salvaging, or for reporting lost or stolen equipment.

Equipment: Equipment means tangible personal property (including information technology systems) that has a useful life of more than one year, is movable, and has a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the organization for financial statement purposes, or \$10,000 (if procured October 1, 2024 or thereafter); \$5,000 (if procured prior to October 1, 2024).

Lead Agency: The entity that holds a written Agreement with Washington State Department of Agriculture Food Assistance (WSDA FA) to implement a program at the local level and/or through its Sub Agencies.

Sub Agency: The entity that holds a written Agreement with a Lead Agency to implement a program at the local level.

APPROVAL GUIDELINES:

- WSDA FA prior approval is required before any equipment with an estimated cost of \$10,000 (equipment purchased October 1, 2024 or after) or with an estimated cost of \$5,000 (equipment purchased prior to October 1, 2024) is disposed of. Disposition is at the state's discretion and is dependent upon the value, condition, and whether the equipment can be used to further service other programs. WSDA FA staff determine the best method of disposition on a case-by-case basis.

Sub Agencies should seek Lead Agency approval prior to disposition. WSDA FA encourages the donation of equipment that is in good working condition to other hunger-relief organizations.

- WSDA FA approval is generally a three-step process:
 1. The Lead Agency submits the **Food Assistance – Equipment Disposal Request/Approval Form (AGR-2203)** to the applicable WSDA FA Representative on behalf of itself or its Sub Agency.
 - The WSDA FA Representative may request additional information or documentation before making a determination depending on the type of disposition requested and the type of equipment. Documentation requested may include quotes used to determine Fair Market Value, an assessment from an expert such as a mechanic or repair person confirming scrap/salvage value as appropriate, etc. Documentation may not be required in all cases and may be impacted by length of time the item has been in use, records of the condition reported in the Annual Inventory, and the original unit cost.
 2. WSDA FA turns the **Equipment Disposal Request/Approval Form (AGR-2203)** to the Lead Agency indicating whether the equipment disposition is approved or not.
 - If approved, the Lead Agency may proceed with finalizing the next steps of the disposition.
 3. Once the equipment disposition action is complete, the Lead Agency resubmits the approved **Food Assistance – Equipment Disposal Request/Approval Form (AGR - 2203)** for post-disposal verification.
 - The Lead Agency confirms the type of disposition previously approved was followed, and
 - Sends supporting documentation (such as a bill of sale or proof of trade-in credit) and completes the Post-Disposal Verification section of the form.

EXTENDED USE PERIOD (EUP):

The organization must satisfy any Extended Use Period (EUP) requirements identified in the original **Food Assistance – Equipment Procurement Request/Approval Form (AGR-2204)**. If the disposal is prior to meeting the extended use period, then the organization will be required to re-pay a proportional amount of original funding back to WSDA FA, if the equipment is not held for the stated length of time. Some exceptions may apply.

TRACKING AND INVENTORY REQUIREMENTS:

Upon approval, the disposition status must be updated in the organization's fixed asset system so that it will be properly reflected in the **Annual Equipment Inventory Workbook (AGR-2201)** provided to WSDA FA annually. There is an "Inventory Disposition" tab which should be used for dispositions in the year in which the disposition occurred.

TYPES OF DISPOSITION:

- Sell
- Scrap/Salvage
- Lost/Stolen
- Transfer
- Trade-In

DISPOSITION CONSIDERATIONS:

Requests for disposition must have prior approval by WSDA FA staff and may include:

- **Replacement of Equipment:** The organization may use the equipment to replace, trade-in, or sell and use the proceeds to offset the costs of replacement equipment.
- **Sale of Equipment:** The organization may sell the equipment and compensate WSDA FA, (if applicable), by applying a proportionate value of WSDA FA's contribution towards the current fair market value of the equipment.
 - The organizations may keep \$500 from WSDA FA's share or ten percent (10%) of the proceeds; whichever is less, for costs involved in selling the equipment if not using it for the purchase of another piece of equipment for use in an eligible program.
- **Scrap or Salvage, including transfer:** The organization may scrap, salvage, or transfer equipment where the equipment has no residual value or can be transfer to a needy organization.
- When determining the method of disposition, the following questions should be considered:
 - What is in the best interest for all parties?
 - Who, if anyone, can make the best use of the equipment in serving clients or continuing the service?
 - Is the equipment serviceable?
 - Is it worth the expense to repair?
 - Is a replacement a better use of funds instead of servicing?
 - How much residual value does the equipment actually have based upon a fair market value determined between a willing buyer and seller?

QUESTIONS:

Please work with your fiscal or purchasing department. Additional information is available in the Procedures Manuals or by contacting your WSDA FA Representative.