1. **Procedure Title:** Property Management – Trade-in, Retirement, Cannibalization, and/or Surplus of Capital Equipment

2. **Procedure Purpose and Effect:** Procedures for any department or organization within the University to transfer, cannibalize, or retire CSU owned capital equipment in the CAM database. This procedure is broken up into three sections as it provides guidance on how to transfer an asset to the Surplus Property Department, how to record the cannibalization of an asset, and the four reasons a department would retire a capital asset. Section 1 is for transfers to Surplus, section 2 is for cannibalizations, and section 3 is for departmental retirements.

3. **Application of Procedure:** This procedure applies to those departments/areas which maintain and are responsible for University owned capital equipment.

4. **Exemptions:** Any exemptions to this procedure would need to be approved by the Property Management Office and Surplus Property.

5. **Definitions:**

   **A. Cannibalization:** To remove serviceable parts from an asset for repairing or replacing other equipment of the same kind. This is an alternative to using or purchasing new parts. Ex. To cannibalize an old airplane for the replacement parts.

   **B. Capital Equipment:** Equipment includes items which are not considered an integral part of a University building, are non-expendable, do not lose their identity through incorporation into a more complex unit, have a useful life of more than a year, and have an acquisition cost of $5,000 or more, or another threshold if set by a contract, grant, or agreement. An item is non-expendable if it is characteristically restored to service by replacement of lost, worn or damaged parts. The acquisition cost of a University purchased item of non-expendable personal property should be recorded as the net invoice unit price of the property including cost of modification, attachments, accessories, or auxiliary apparatus necessary to make the property usable for the purpose of which it was acquired. Other charges, such as cost of installation, transportation (shipping and handling), taxes, in transit insurance, etc., shall be included in the unit acquisition cost.

   **C. CAM:** Capital Asset Management. This is the system of record for fixed assets within the Kuali Financial System.

   **D. CAM Processor Role:** Any Kuali user can view capital assets. The people who apply for and are granted the CAM Processor Role can edit, loan, transfer, and/or retire capital assets.

   **E. Non-expendable:** Items such as equipment, instruments, and tools that are not consumed in a manufacturing process, and which retain their original identity and characteristics during their useful life.
F. **Trade-In (non-monetary exchange):** a reciprocal transfer between an enterprise and another entity that results in the enterprise's acquiring assets or services or satisfying liabilities by surrendering other assets or services or incurring other obligations.

G. **Trade-in allowance:** a reduction to the total cost of a vendor's invoice.

6. **Procedure Statement:**

When University-owned property becomes excess, obsolete, damaged or worn out and is of no further use to the accountable department, such property should then be traded in on new equipment, cannibalized, transferred externally to another organization, or transferred to the Surplus Property Department for disposal according to the State and University policies and procedures. If the equipment can be traded in on new equipment or transferred externally to another organization than the department is able to process a retirement document. If the asset is being cannibalized by the department or needs to be picked up by Surplus than an asset edit to transfer the asset to Surplus is needed. In unforeseen events, University property may also be stolen therefore requiring a CSU Police Report.

Prompt reporting and removal of any capital assets is desirable to maintain an accurate inventory of usable items, in order to reduce storage of unusable items, and to permit sale or alternate use of capital assets. The Surplus Property Department has sole responsibility for determining the appropriate disposition of all excess University-owned property, other than land and buildings, and for authorizing or accomplishing such disposition. No department shall unilaterally dispose of any University property; however, there are four circumstances which a department would need to retire an asset from the system. No department or individual should make or authorize any sale or donation to any individual or firm or non-University agency without prior approval from Surplus Property.

A. **SECTION 1:** Transfer an asset to Surplus for disposal:

1. The department will submit an Asset Edit document (the person initiating the document will need to have the CAM Processor Role). This document does not generate any accounting entries. For step-by-step document instructions please follow the link under the Forms and Tools section of this procedure and find the Creating a Surplus Document link.

2. This document will route through the Property Management Action List as well as the Surplus Property Action List. Surplus is alerted that there is a capital asset that needs to be picked up and upon arrival at the Surplus warehouse the Surplus staff determines the best course of action for the asset whether it will be re-sold or disposed of.

3. Surplus Property will charge a handling fee for all sales and transfers of Surplus University property. Please contact Surplus Property for more information about the handling fee.

B. **SECTION 2:** Cannibalization:

It may be desirable and advantageous to cannibalize an item of property when that item can no longer be used for the purpose for which it was acquired and/or cannot be economically repaired but its components or parts are usable in the repair or improvement of other items. No physical
cannibalization action should be taken by the department prior to approval being granted. In order to be granted approval the following steps must be taken:

1. The department will submit an Asset Edit document (the person initiating the document will need to have the CAM Processor Role). This document does not generate any accounting entries. For step-by-step document instructions please follow the link under the Forms and Tools section of this procedure. These are the same instructions as for transfers in section 1 except the creator will indicate on the document that they are requesting cannibalization and that there is no equipment that needs to be picked up.

2. The department should include the need and justification for cannibalization.

3. This document will route through the Property Management Action List as well as the Surplus Property Action List. If approved, the asset will be retired by the Surplus Property Department using reason code 5 for Cannibalized and removed from the University property records. The cannibalization retirement document will generate accounting entries.

C. SECTION 3: Departmental Retirement:

The following are approved methods of retirement that are initiated by the department through a CAM retirement document. All retirement documents will generate accounting entries. All retirements of capital assets are final and there is no way to automatically reinstate or reverse a retirement. For step-by-step document instructions please follow the link under the Forms and Tools section of this procedure.

1. Trade-in:
   a) University owned equipment may be offered for trade-in by your campus purchasing organization for similar equipment. The trade-in of similar capital equipment are assets that are traded in to obtain assets for the same general purpose, are the same general type, and are employed in the same line of business such as a computer for a computer. To be considered a trade-in of similar capital equipment the organization must give up something in return for a trade-in allowance.
      i. On occasion a vendor may offer to remove a piece of equipment at no cost. In this case, the disposal of equipment must be approved by Surplus as this is not a trade-in; just equipment being simply removed. These assets should be transferred to Surplus and if approved by Surplus they will be retired as Recycled by using reason code “4”.
   b) The responsible department should first make sure they are trading in University owned equipment with no disposal restrictions by submitting an Asset Retirement Global document, using reason code 2 for Trade-in, and this document will route to the Property Management Action List.
      i. Assets that are not owned by the University and assets that are on an active research contract, grant or agreement may not be eligible to be traded-in. Assets that are sponsor owned (under object code 8235), federally owned (under object code 8245), or on loan to CSU (under object code 8247) should not be traded-in without proper disposition instructions from the owner. Object codes 8235 and 8247 do not generate entries to capitalize equipment to CSU’s balance sheet.
c) The department should coordinate the trade with Procurement Services by submitting a Purchase Requisition which should fully identify the item to be traded, including full description, and University decal number.

d) Upon approval of the Purchase Requisition, the department needs to update the trade-in retirement document in order to identify the requisition or purchase order number for the new asset as well as the trade-in credit amount.

e) Once the capital asset has physically been removed from the University, the Property Management Office will approve the retirement document and the traded-in asset(s) will be removed from the University property records.

2. External Transfer: For property that the University does not have title to there could be a request from the owner to have the equipment returned to the owner or another agency. On occasion when a faculty member leaves the University and becomes employed at another institution there is a request to transfer, to the new institution, equipment which was acquired by this University under a contract, grant, or agreement for which the faculty member was the principal investigator. University owned assets may also be transferred to another agency. Any capital assets being externally transferred will need a letter of release from the University Department Head and a letter of acceptance from the accepting agency or individual.

a) The department should prepare and request the letter of release and acceptance.

b) Once the capital asset has physically been removed from the University, the department will submit a CAM retirement document using reason code 9 for External Transfer. This document will require information about the receiving agency or individual.

c) This document will route through the Property Management Action List as well as the Surplus Property Action List and the externally transferred asset(s) will be removed from the University property records.

3. Theft:

a) The department should file a report with CSUPD any time anything is stolen.

b) If the stolen item is capital equipment than the department will submit a CAM retirement document using the reason code 7 for Theft. This document will require the Police Case Number.

c) This document will route through the Property Management Action List as well as the Surplus Property Action List and the stolen asset(s) will be removed from the University property records.

4. Lost (Inventory Write-Offs): When a department has exhausted all efforts to locate a piece of capital equipment or did not process or cannot locate the correct paperwork to surplus or transfer an asset then the department will be required to write the asset off. Depending on the circumstance the department might be able to leave an asset unfound for two inventory cycles before being required to write the asset off. Once the Property Management Office has determined that a write off is acceptable:

a) The department will submit a CAM retirement document using reason code 3 for Lost. This document will need to have an explanation of the actions taken to try and find the asset, what the best guess is as to what happened to the asset, and what changes have been made within the department to avoid future write offs.

b) The document creator within the department should ad-hoc route the write off document to the Department Head for approval as he/she is the accountable party.
c) This document will route through the Property Management Action List as well as the Surplus Property Action List and the lost asset(s) will be removed from the University property records.

7. **Reference and Cross-References:**

   Surplus Property website: [http://cr.colostate.edu/main_surplus.aspx](http://cr.colostate.edu/main_surplus.aspx)

   Property Management website: [http://busfin.colostate.edu/Depts/PropMgt.aspx](http://busfin.colostate.edu/Depts/PropMgt.aspx)


8. **Forms and Tools:**

   To apply for the CAM Processor Role please fill out the Application for Kuali Financial System located at [http://busfin.colostate.edu/Resources/Forms.aspx](http://busfin.colostate.edu/Resources/Forms.aspx).

   Surplus and Retirement document instructions are located at [http://busfin.colostate.edu/Depts/PropMgt.aspx](http://busfin.colostate.edu/Depts/PropMgt.aspx) (Under the Guides and Manuals Heading and Kuali Documents subheading)