

MICHIGAN FEDERAL SURPLUS PROPERTY PROGRAM
PLAN OF OPERATION
IN
COMPLIANCE WITH 41 CFR 102-37 and PUBLIC LAW 94-519

Revision 10/24/2003

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PLAN OF OPERATION

MICHIGAN STATE AGENCY FOR FEDERAL PROPERTY ASSISTANCE

This plan sets forth the operating procedures and practices to be carried out by the Michigan Federal Surplus Property Program in effecting fair and equitable distribution of federal surplus personal property to state and local governments and certain non-profit, tax-exempt educational and health institutions as are determined to be eligible to receive surplus personal property under Section 203(j) of the Federal Property and Administrative Services Act of 1949, as amended.

Operating procedures and practices described herein are in accordance with the regulations as set forth in the Code of Federal Regulations (CFR), Title 41, Chapter 102 Federal Management Regulation (FMR), Subchapter B, Part 102-37 as revised to conform to the provisions of Public Law 94-519.

Prior to submission of revisions to the plan, to the Administrator of General Services (GSA), general public notice of the proposed revisions were published for a period of 60 calendar days and interested parties were given a period of 30 calendar days in which to submit comments. The comments, as well as the relative needs and resources of all public agencies and other eligible donees, were considered in developing the revised plan of operation.

A. LEGAL AUTHORITY

The Michigan Federal Surplus Property Act 139 of 1961, effective September 8, 1961 (Exhibit A), designated the department of administration as the official state agency to participate in and administer the federal surplus property program. Michigan Public Act 139, being sections 18.251 through 18.261 of the Michigan Compiled Laws, designates the Department of Management and Budget to participate in and administer the Federal Surplus Property Program and further describes the responsibilities vested in the state agency to receive, warehouse and distribute surplus property to eligible donees, enter into contracts, agreements and undertakings for and in the name of the state, act as clearing house of information for the public and private nonprofit institutions, organizations and agencies regarding federal surplus real and personal property, and carry out other requirements of the state plan. Michigan House Resolution No. 523 (Exhibit A-1), adopted April 28, 1982, resolved that the Supervisor of the Michigan Surplus Property Unit shall have all the powers, duties and responsibilities enumerated in the State Plan of Operation, as are necessary to carry out the program in compliance with State and Federal laws and regulations.

B. DESIGNATION OF STATE AGENCY

The Michigan Federal Surplus Property Program (FSPP) of the Department of Management and Budget (DMB) is the Michigan State Agency for Surplus Property

(MISASP). The State Plan of Operation for the State of Michigan was approved September 9, 1982, and later revised and approved on January 31, 1995, by the Administrator of the General Services Administration. The MISASP is authorized to warehouse and distribute surplus personal property to all eligible donees in the State, to enter into cooperative agreements pursuant to the provisions of FMR 102-37.325 and to undertake other actions necessary to carry out the program as set forth in the plan.

Organization of the Agency

The Federal Surplus Property Program reports to the Logistics Division in the Office of Acquisition Services in the Department of Management and Budget.

Main Segments of the FSPP Organization

Program Supervisor

Administration, Compliance & Utilization

Procurement, Operations & Property Distribution

(Exhibit B - Organization Chart)

Facilities

The State Agency office is located at 3366 Remy Drive, Lansing, Michigan. Mailing address is P.O. Box 30026, Lansing, MI 48909. The State Agency occupies 200 feet of floor space for office use and has access to 1,000 square feet of covered warehouse space and approximately one-eighth of an acre of fenced outside storage space on an as needed basis.

C. INVENTORY CONTROL AND ACCOUNTING SYSTEMS

Inventory Control

Federal Property Inventory System

The State Agency will maintain accurate records of all donable property received, directly donated, warehoused, distributed, and disposed of by the State Agency in an inventory and transaction-tracking database. All accounting records will be maintained in accordance with the State of Michigan financial accounting procedures. Property retained by the MISASP to perform its functions will be maintained separately from those of donable property.

Checking Property Into State Agency Custody

1. All property received at the State Agency will be checked in promptly as soon as full identification can be completed.
2. The Transfer Order Surplus Personal Property Standard Form 123 (SF 123) (Exhibit C) is used as the basis of checking property into the State Agency. Related shipping documents, invoices, trucking bills of lading, donee reports, are also used to supplement the SF 123 transaction.
3. Exceptions of differences in a line item on the SF 123 are noted when the item is received, to reflect any increase or decrease of the line item. This action will be documented to report any change in the amount initially

- allocated on a Shortage/Overage Report (Exhibit D)
4. Copies of the Shortage/Overage Report are sent to the GSA Regional Office.
 5. In accordance with the requirements of FMR 102-37.70 concerning overages and shortages, when the estimated fair value or acquisition cost of a line item of property is over \$500.00 it will be listed on SF 123 and sent to the GSA Regional Office along with a copy of the Overage/Shortage Report to reconcile State Agency records with GSA records.

Property Issuance

All issues of property to eligible donees are recorded on a pre-numbered Distribution Document (Exhibit E). This is used as a purchase agreement for all donations. It records the name of item, donee, state agreement number, quantity, government acquisition cost, and service charge. It also provides that the donee certifies and agrees to terms, conditions, reservations and restrictions for property use.

Periodic Verification of Property on Hand

A physical inventory will be completed each fiscal year. The physical inventory will be compared with the inventory on-hand identified in the inventory and transaction-tracking database. All differences will be reported to the program supervisor for review, approval, and adjustment in the database.

Tracing Property From Receiving document to Issue Document

1. Each line item on the SF 123 requires an entry into the inventory and transaction-tracking database. It will be recorded by noun description, state serial number, government acquisition value, and quantity received and issued. Inventory adjustments are recorded on the Shortage/Overage Report and issuance is recorded on the Distribution Document. When an item is directly donated or issued, the transaction will be entered in the database. This is in accordance with Michigan's State Property Control Regulations and provides an audit trail from property receipt to property issue.
2. Items in the database with a government acquisition cost of over \$500 will be identified as such. Items with a government acquisition cost of less than \$500 shall be received and recorded in the same database.
3. A FEDS 3040 Summary of Distribution Report (Exhibit C-1) to record the acquisition cost of property received, donated, transferred, abandoned or destroyed is prepared and submitted to GSA quarterly.

Disposal of Property of No Value to Program

Property will be reported to GSA for transfer to another state or disposed of by public sale, dumping, or abandonment as authorized and appropriate records are maintained to cover such disposals, in accordance with the procedures and requirements of FMR 102-37.290, 102-37.295, and 102-37.300.

Financial Accounting

The State Agency will use its inventory and transaction-tracking database to record sales (issues and donations). The database will also produce statistical analysis reports.

Information from the Distribution Document is used by DMB Financial Services to generate an invoice to donees for property donation service fees. An internal service fund is assigned to the Program for all accounting and financial management activities. The State of Michigan financial system will track accounts receivable, payments, expenses incurred, and bills paid. The State of Michigan financial system will prepare quarterly financial statements showing revenue generated and expenses incurred for the Program.

D. RETURN OF DONATED PROPERTY

Return of Property by Donee

The State Agency will periodically emphasize the return of property procedures with donees. The program supervisor will select one of the procedures listed below to make a determination regarding return of donated property.

When property has not been put in use by a donee within one year from the date of receipt of the property, or when the donee has not used the property for one year, or if terms and conditions on the Distribution Document or Conditional Transfer Document have not been met the donee must:

1. Return the property, at its own expense, to the State Agency.
2. Retransfer the property to another eligible donee within the State or to a federal agency as directed by the State Agency.
3. Make such other disposal of the property as the State Agency may direct.

Reimbursement

Reimbursement is allowed by the State Agency only when the property cannot be made useable by the donee. The State Agency determines the amount reimbursable based on documentation from donee. When a donee returns property to the State Agency, the donee may be reimbursed for all or part of the initial cost of any repairs required to make the property usable if:

1. The property is transferred to a federal agency or sold for the benefit of the U.S. Government. If transferred to a federal agency, the receiving agency will be required to reimburse the donee as a condition of the transfer. If sold, the reimbursement will come out of the proceeds.
2. No breach of the terms and conditions of donation has occurred; and
3. GSA authorizes the reimbursement.

E. FINANCING AND SERVICE CHARGES

Payment of Service Charges and Expenditures

All payment of service charges by donees will be made to the State of Michigan for deposit in the account of the State Agency. Payments can be made in any form that is accepted by the State of Michigan Department of Management and Budget Office of Financial Services. However, payments must be from a donee organization's account. No personal forms of

payment will be accepted. Expenditures from service charge funds will in accordance with State law and FMR 102-37.280 and FMR 102-37.285.

Service Charges

The State Agency will be funded by charging donees service charges. Service charges will be used to pay direct and indirect costs of operating the program. Service charges will be developed based on the costs for but not limited to screening, rehabilitation, shipping, handling, and administrative charges in getting the federal surplus property to the donee. Surplus property made available to non-profit providers of assistance to homeless individuals shall be distributed at a nominal cost for care and handling of the property.

There will be a minimum service charge of \$100 per transfer document (SF 123) regardless of the value or condition of the property listed thereon. For all property donated through the State Agency, the service charge will be 0-50% of the original acquisition cost of the items acquired plus any extraordinary costs. Extraordinary costs may include, but are not limited to, special on-site screening, compliance fees, overseas shipment and handling costs.

Michigan Public Act 139 of 1961, MCL 18.258 states that all moneys received by the department in payment of such charges shall be credited to a restricted account to defray the cost of the administration of the program. Any balance remaining at the end of any fiscal year shall not revert to the general fund but shall continue to be available for the purposes authorized in this program.

F. TERMS AND CONDITIONS ON DONABLE PROPERTY

All federal property donated through the State Agency has terms and conditions on donation, regardless of cost. Additional terms and conditions are specified on items with an original acquisition cost over \$5,000 and passenger motor vehicles, aircraft, or large vessels. The State Agency restriction periods on donable items are the following:

1. All items \$0 to \$4,999, 12 months from date of delivery.
2. All items over \$5,000 and passenger motor vehicles, 18 months from date of delivery.
3. Aircraft and large vessels, 60 months from date of delivery.

The State Agency may reduce the period of restrictions on items of property for good and sufficient reasons, such as cannibalization or secondary utilization, in accordance with the provisions of FMR 102-37.465.

Conditions and restrictions pertaining to the conditional transfer of non-combat aircraft, vessels, and combat-type aircraft are provided. Appropriate forms are shown as attachments to the Plan.

G. NON-UTILIZED OR UNDISTRIBUTED PROPERTY

All property in the possession of the State Agency for 12 months, which has been determined to no longer be needed in the state, will be reported to the General Services Administration for disposal authorization in accordance with FMR-102-37.290. In accordance with this regulation the State Agency shall:

1. Transfer the property to another State or Federal Agency;
2. Public sale; or
3. Abandon or destroy the property.
4. Other arrangements as otherwise directed by State Agency or GSA.

In the event of disposal by transfer to another Agency in another state or by public sale the State Agency may seek such reimbursement as is authorized in accordance with FMR 102.37.315.

H. FAIR AND EQUITABLE DISTRIBUTION

General Policy

The State Agency will arrange for a fair and equitable offering of available surplus property to the eligible units in the State based upon their relative need and resources and their ability to utilize the property in their program. A Request for Property (form) is submitted by eligible donees and items are placed on a “needs” list. The State Agency will actively pursue the fulfillment of needs identified on the needs list through applicable federal surplus agency websites and sources. The preferred method of acquiring property will be for the property to be shipped directly to the participant’s location.

Determinations

Under normal circumstances, the established needs list takes precedent over agency requests, and similarly, program freezes. This is in keeping with the “first-come, first-serve” policy as a further method of insuring fair and equitable distribution.

In situations of emergency or critical need, the ability to utilize the property in an agency may take precedence in distribution.

As a final assurance that the State Agency will continually strive to maintain the fair and equitable distribution principle, the program supervisor will act in an appellate capacity to resolve disputes in the distribution of critical resources and for the development of allocation priorities if and when this action is warranted. This appellate process may be initiated by any recipient or group of recipients. If the dispute cannot be resolved at the first step with the program supervisor, the second step will be heard with the program manager in the Logistics Division. The third step is the division director in the Department of Management and Budget.

I. ELIGIBILITY

The State Agency will contact and instruct all known potential donees in the State on the procedures to follow to establish their eligibility to participate in the surplus property

program. A listing of the potential donees in the State shall be established by using the standards and guidelines in FMR 102-37.380 and meeting the criteria in FMR 102-37. 390.

Donee eligibility records will include the following:

1. Legal name and address of the donee.
2. Status of the donee as a public agency or as an eligible nonprofit activity.
3. Detail on the scope of the donee's program.
4. Proof of tax exemption under section 501 of the Internal Revenue Code if the donee is nonprofit.
5. Proof that the donee is approved, accredited, licensed, or meets any other legal requirement for operation of its program(s), in accordance with FMR 102-37.395.
6. Financial information including funding sources and a financial statement.
7. Written authorization by the donee's governing body or chief administrative officer designating at least one person to act for the donee in acquiring property.
8. Nondiscrimination Assurance Statement that the donee will comply with GSA's regulations.
9. Types of property needed.

The State Agency will update donee eligibility records as needed, but no less than every 3 years, to ensure that all documentation supporting the donee's eligibility is current and accurate. Annually, the State Agency will update files for nonprofit organizations whose eligibility depends on annual appropriations, annual licensing, or annual certification.

J.COMPLIANCE AND UTILIZATION

The State Agency will complete periodic on-site or mail utilization surveys for compliance by donees with the terms, conditions, reservations, and restrictions having a unit acquisition cost of \$5,000 or more, and on any passenger motor vehicle. All on-site donee utilization reviews will be completed based upon staff availability and available funds. Such reviews shall include a survey of the donee's compliance with any special handling conditions or use limitations imposed on items of property as referenced in FMR 102-37.455.

Random surveys of donee compliance with the terms and conditions placed on items will take place to insure property has been placed in use within one year and used for a period of one year thereafter.

A report will be prepared for each compliance/utilization survey and submitted to the program manager for review. Any follow-up action necessary on non-compliance or non-use will be subsequently taken as necessary to rectify the situation. Instances of alleged fraud or misuse will be reported to local law enforcement agency, the State Police, and Federal Bureau of Investigation and to GSA as appropriate. The State Agency personnel will be available to assist in an investigation.

K. CONSULTATION WITH ADVISORY BODIES, PUBLIC AND PRIVATE GROUPS

The State Agency will arrange for and participate in local, regional, or statewide meetings of

such public and private organizations and associations representing public agencies, educational, public health, library, museums, civil defense, etc., to disseminate information on the program, discuss procedures and problems and obtain the recommendations on determining relative needs, resources and the utilization of property and how the State Agency can provide more effective service. The State Agency will regularly provide information on the donation program to State and local officials, and to heads of non-profit institutions and organizations. Periodically, surveys may be distributed to the eligible donees or select geographic area donees for identification of needs and evaluations of program services.

The State Agency will invite eligible donees to submit expressions of need and interest for property items so that the State Agency may advise the General Services Administration of such requirements, including requirements for specific items of property.

L. AUDIT

An external audit will be performed periodically, to comply with the Single Audit Act and OMB Circular A-133, Section 510(a), by the State Auditor, which shall include an audit of all fiscal affairs and a review of the conformance of the State Agency with the provisions of FMR 102-37. The GSA, GAO and other authorized activities may audit or review the operations of the State Agency as per FMR 102-37.350 and donees that receive \$300,000 or more are audited in accordance with FMR 102-37.355.

M. COOPERATIVE AGREEMENTS

The State Agency has the authority, as indicated in Section A, and may enter into such Cooperative Agreements with Federal agencies and other State Agencies as may be necessary, in accordance with FMR 102-37.325.

These agreements may involve, but are not limited to:

1. Use of federal real or surplus property by the State Agency.
2. Federal telecommunications systems.
3. Interstate transfer of property.
4. Sale of nondonable surplus property through auction.
5. Transportation of surplus property.
6. Other contracts or agreements, as they may arise.

N. LIQUIDATION

In the event of state officials decide to suspend operations and liquidate the State of Michigan Federal Surplus Property Program, the State Agency will prepare a liquidation plan in accordance with FMR 102-37.365.

O. FORMS

Copies of the distribution documents used by the State Agency, as referenced in this plan,

are exhibits in the appendix of this plan.

P. RECORDS

All official records of the State Agency will be retained for not less than three years except:

1. Records involving property subject to restrictions for more than two years will be kept for one year beyond the specific period of restriction.
2. Records involving property with perpetual restriction must be retained in perpetuity.
3. Records involving property in noncompliance status will be kept for at least one year after the case is closed.