

Chapter 800: Ordering, Inventorying and Disposing of Equipment

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Update Information

This update is a complete revision of Chapter 800, and the page numbering system is being changed.

In Chapter 800:

- Remove pages: 90 through 102, dated 1-01-85.
- Replace with pages: 8-1 through 8-14, dated 1-14-94.

For the Table of Contents:

- Remove pages: i and ii, dated 11-15-93.
- Replace with pages: i and ii, dated 1-14-94.

Chapter 800: Ordering, Inventorying and Disposing of Equipment

801 Introduction

This Chapter explains the special requirements associated with buying, inventorying, and disposal of equipment. These requirements relate to the City's budget process and Administrative Code, which together exert a significant level of control over the life cycle of equipment.

If a department wants to buy equipment, each item of equipment must be specifically approved by the Mayor and the Board of Supervisors as part of the City's annual budget process or through a supplemental appropriation. When a department receives a new piece of equipment, the department must affix an inventory tag and notify the Controller. When a department is ready to dispose of equipment, it must inform Purchasing's Central Warehouse, which is the City office authorized to sell surplus City property.

802 Definition of Equipment

A. General

For accounting purposes, the City defines equipment as an item: worth \$1,000 or more; and having a useful life of at least three years. There are three types of equipment:

- **New Equipment:** Almost all equipment the City buys is new in the sense that it has never been used, but "new" in City parlance can be thought of as "additional." New equipment, which must be approved in the budget process, represents an addition to the amount of equipment a department owns, because no old equipment will be turned in when the new equipment arrives.
- **Replacement Equipment:** Equipment approved in the budget process to replace worn out or obsolete equipment. When the replacement equipment arrives, the department must turn in the equipment which is being replaced.
- **Other Equipment:** Equipment approved in the budget process through a lease-purchase arrangement; equipment redistributed from another department through Purchasing's Stores and Equipment Division; or donations from private sources.

B. Once Equipment, Always Equipment

From time to time, the definition of equipment has been changed by raising the cost threshold. When items meeting the then-current definition of equipment are acquired, departments must follow these procedures for as long as the equipment remains City property, even though at a later date the dollar threshold for equipment may be raised to more than the equipment's original cost. For example, in FY 91-92, the dollar threshold for equipment was \$400. For FY 92-93, the threshold was raised to \$1,000. If a department acquired a piece of equipment costing \$500 in FY 91-92, the department must continue to treat the item as equipment even though it would not have been considered equipment if purchased one year later.

803 Decentralization of Purchase Orders below \$5,000

Chapter 800, as currently written, assumes that Purchasing places all City orders for equipment, but that procedure will change soon. In the November 1993 election, the Charter was amended to allow Purchasing to delegate to departments the authority to issue purchase orders up to \$5,000. Purchasing and the Controller are developing the procedures for this decentralization.

After decentralization, departments, when placing orders for equipment below \$5,000, will be subject to the same duties as Purchasing is for equipment orders (both below and above \$5,000). Throughout Chapter 800, Purchasing's responsibilities will become departments' responsibilities for orders below \$5,000. The chapter should be read with this transition in mind.

The decentralization procedures, when promulgated, will make department heads responsible for their departments' adherence to all relevant requirements, including the Charter, Administrative Code, and Chapter 800. Purchasing and the Controller anticipate that a new departmental purchase order form will be developed for decentralized orders (compare 805.B, "Ordering Documents").

804 Summary of Responsibilities

A. Purchasing's Responsibilities

1. Standardization

Section 21.3 of the Administrative Code requires Purchasing, in cooperation with departments, to provide for the standardization of equipment. While the technical nature of equipment often tends to exclude some suppliers, it is the policy of Purchasing to identify acceptable substitutes for all equipment procurements in order to promote a competitive bidding environment.

2. Monitoring Budget Approval

When a department submits a requisition for equipment, Purchasing makes sure the department has supplied the equipment's budget equipment number from the department's approved budget, or a project code, or the Ordinance Number of a supplemental appropriation approving the equipment. This number verifies that the equipment was approved by the Mayor and the Board of Supervisors in the current fiscal year's budget.

3. Disposing of Equipment

Section 7.100 of the City Charter authorizes Purchasing to exchange or sell surplus items, including equipment. Departments notify the Central Warehouse when an item is surplus and may be transferred or sold. Purchasing notifies the Controller of the sale price of an item and how the proceeds should be allocated. See Section 807 for more information on selling equipment.

B. Requesting Department

The department which needs equipment does the following:

- Obtains the approval of the Board of Supervisors through the annual budget process or a supplemental appropriation;
- When submitting the Requisition to Purchasing, includes the equipment budget number on the Requisition and attach an Equipment Requisition Attachment (form P-356);
- When the equipment arrives, affixes an inventory tag and report the acquisition to the Controller;
- Performs periodical physical inventories of equipment, and reconciles the results in annual reports to the Controller;
- Submits an annual report to the Controller, inventorying all equipment in the department's possession;

- Disposes of equipment by first consulting with the Central Warehouse, and then either sending the equipment to the Warehouse or proceeding as directed by the Warehouse.

In addition to following general City requirements related to equipment, the requesting department must adhere to any additional granting agency policies if the equipment is being funded by an outside grant.

C. Controller

The Controller:

- Verifies that the equipment requested by a department was approved in the budget process;
- Files all equipment inventory lists submitted by departments.

805 Ordering Equipment

A. Before Ordering, Check with the Central Warehouse for Surplus Equipment

Before selling used City property, the Central Warehouse tries to find other departments which could use it. Departments are encouraged to call the Warehouse at 923-6352 to ask about what is available. The Warehouse usually has a reasonable amount of used office furniture, and small quantities of other items. The Warehouse also publishes a listing of property on hand, and distributes the listing within City government. If you would like to receive a copy, please call the Warehouse.

B. The Annual Budget

1. Authorization Required

Prior to the procurement of equipment (either by purchase, lease or lease-purchase), the department must receive funding approval through the City's budget process, based on the source of the equipment or the funds used to purchase the equipment:

<u>Funding Source</u>	<u>How the Board Approves the Equipment</u>
Annual Budget	Board approval of a specific budget line item or project funding in the annual budget.
Supplemental appropriation	A separate mid-year approval of funds (to buy equipment).
Gift	Board acceptance of a gift over \$5,000.
Grant	Board approval of the grant itself, and Board approval of the list of equipment for the grant.
Bond Fund	Board approval in the same manner as a supplemental appropriation.

The department indicates on the Requisition or Contract Order the type of approval the requested equipment has received.

2. New vs. Replacement Equipment

The City's budgeting process differentiates between new and replacement equipment by designating replacement equipment as "Y" and new equipment as "Z." When requesting equipment, the department annotates the Requisition, TPA or Contract Order with the following:

- a. For replacement equipment: next to the description of the equipment, enter the letter "Y" and equipment number from the line-item explanations of the department's budget. The departments also completes the "Surplus Turn-In Request," form P-345 (see 800-1) when the new equipment arrives and sends the form to the Central Warehouse. The form recommends how to dispose of the equipment being replaced.
- b. For new (additional) equipment: next to the description of the equipment, enter the letter "Z" and the equipment number from the line-item explanation of the department's budget. No Surplus Turn-In Request form is required when the new equipment arrives because no existing equipment is being replaced.

C. Special Procedures for Lease-Purchase of Equipment

The information in this section is based largely on the City's annual Budget Instructions, issued by the Controller.

A lease-purchase of equipment, sometimes referred to as an installment purchase, requires specific approvals before going forward. In the City's budget process, there are specific subobject codes for new lease-purchases, for existing lease-purchases, and for existing lease-purchases with the CCSF Finance Corporation.

No equipment worth less than \$10,000 may be lease-purchased without the prior approval of the Chief Administrative Officer and Purchasing. In general, it is not economical to lease-purchase equipment in this range. On rare occasions, a department may have an opportunity to order many items of equipment, each with a unit cost below \$10,000, and the total transaction exceeds \$50,000. It may be possible to lease-purchase the total order. Departments should consult with the Chief Administrative Officer's office first.

The term of the lease-purchase must be no greater than, and is usually less than, the estimated useful life of the equipment.

Due to complications in planning progress payments, the City prefers not to lease-purchase software systems. The hardware portion of a computer system, however, can be lease-purchased. Departments should consult with the Chief Administrative Officer's office in advance.

After the Mayor and the Board of Supervisors approve the equipment to be lease-purchased, the Chief Administrative Officer and Purchasing will determine whether the equipment will be financed by the CCSF Finance Corp. or another third party financing organization.

D. Ordering Documents

Equipment is ordered on a Requisition for Purchase Order if it is purchased and on a Contract Order or Term Purchase Agreement if it is either lease-purchased or leased with an option to purchase. For detailed information on leasing equipment, see Chapter 900.

E. Equipment Specifications and Competitive Bidding

Equipment is often expensive and complicated. Departments and Purchasing, therefore, must be careful to focus on the functions that departments need the equipment to perform, rather than on the features (including the bells and whistles) of a particular brand or model. In this way, the City has the best opportunity to conduct meaningful competitive bidding, and can promote the goal of standardization.

The Equipment Requisition Attachment, form P-356 (see 800-2), is designed to allow departments to identify features and options and to explain why they are needed. The department completes this form and a numbered list of specifications to provide Purchasing with necessary detail.

As a guide to detailing specifications, the department should consider:

1. **Performance:** indicate the operations or tasks the equipment must accomplish and the performance levels at which it must perform.
2. **Design Features:** indicate the critical properties and dimensions the equipment must possess in order to perform as needed.
3. **Modifications:** indicate the accessories, attachments or options that would enhance the performance of the equipment beyond its basic design and perform as needed.
4. **Match with Existing Equipment:** indicate whether the equipment must have the capacity to match or fit with another piece of equipment which has been or will be procured.
5. **Make and Model Suggestion:** indicate the brand name and model of a suggested piece of equipment that best meets the needs. While Purchasing will determine if there are available substitutes and if the item should be bid, a suggested make and model offer Purchasing an example of equipment which the department considers acceptable.

Finally, the department provides Purchasing with any literature or publications it may have obtained from the manufacturer or vendor describing the equipment.

F. Other Considerations

1. Installation

If the department wishes to have the equipment installed upon delivery, the department should indicate "Furnish, deliver and install" on the Requisition or Contract Order. Departments should be cautious if installation of a piece of equipment involves significant work on a wall, a room, or the like. That type of installation could constitute "construction" rather than just "installation," and would be handled by a construction contract.

2. Trading In Used Equipment

For equipment being replaced, the City has several choices: sell it if it has value; transfer it to another department if it would be useful to them; scrap it if it has no value; trade it in to the vendor for new equipment. When the department orders "Y" equipment, the department should discuss with Purchasing the advisability of trading in the equipment. so that Purchasing may determine how best to structure the purchase.

If equipment is being traded in, the department should use Surplus Turn-In Request form to list the equipment and attach the form to the Requisition or other ordering document, and send the package to Purchasing.

806 The Inventory Process

A. General

The requesting department is responsible for tagging equipment when it arrives and for notifying the Controller of any of the following events: acquisition of equipment; transfer of equipment to another department; scrapping of old equipment unless the equipment was sold by the Central Warehouse.

B. Revisions to Administrative Code

In 1993, the Administrative Code was amended to conform to changes made earlier to the Charter which decentralized much of the equipment inventory process. Sections 21.29 through 21.33 in Chapter 21 of the Admin. Code were amended to make the owning department, rather than Purchasing, responsible for inventory matters.

C. Tagging New Equipment

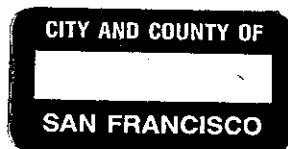
When new equipment arrives, it must be tagged so that it can be accounted for while it is City property. With this update to the Guide, Purchasing has distributed to departments a supply of blank equipment tags. If a department discovers any untagged equipment, it must be tagged and reported to the Controller, with as much identifying information as the department can find.

Departments are free to organize their inventory numbering system as they see fit, except that the number must be in the following general format:

nn-_____

where the first two positions are the department number, and the third position is a hyphen. After the hyphen, departments may use any combination of letters and numbers they wish, subject to the space limitations on the inventory tag. A sample tag for a piece of equipment in Purchasing would be: 91-0001, where 0001 is a sequential number assigned to the first piece of equipment in Purchasing's inventory.

The inventory tag looks like:



D. Reporting New Acquisitions to the Controller

After a piece of equipment has arrived in the department and been tagged, the department reports to acquisition to the Controller. This applies whether the equipment is new or has been transferred from another City department. There is no specific form required, but the Controller needs the following information:

- responsible party;
- location of item (address, room number, etc.);
- description of the item;
- purchase order number;
- purchase order date;
- equipment tag number;
- equipment budget number;
- cost of the equipment, including sales tax and installation;
- serial number (if available);
- useful life (guidelines to be distributed by the Controller at a later date);
- salvage value;
- funding source (see page 8-5).

E. Annual Inventory Report to the Controller

Each June, all departments send the Controller lists of all equipment the departments own. Each list reflects new equipment acquired during the year and old equipment sold, transferred (either to or from the department) or traded in during the year. If the new equipment is replacing another piece of equipment, the report should indicate the inventory tag number of the equipment being replaced. See Section 807 for information on disposing of equipment.

807 Disposing of Equipment

A. Procedure for Turn In

Equipment and supplies must be turned in to Purchasing under the following circumstances:

- When an item of equipment has been replaced by a new item; or,
- When any item (supplies or equipment) is not needed because it is obsolete or the department has an excess supply of that item.

To dispose of surplus property, the department should complete a Surplus Turn-In Request form, make one copy of the original, and send the original to:

Purchasing Department
Central Warehouse
2650 Geary Bl.
San Francisco 94118

The Warehouse will contact the department to view the property prior to turn in and advise on a course of action, e.g., sell on site, transfer to another department, turn into Central Warehouse, forward to auctioneer, scrap on site, etc.

On the Surplus Turn-In Request, the department may suggest how to dispose of replaced equipment. This suggestion may help Purchasing in determining the appropriate method of disposition.

See Section 809 for disposing of automobiles.

B. Transporting Equipment

If the equipment being replaced needs to be moved, the department may:

1. Transport it to the Central Warehouse using its own personnel and truck; or,
2. Have it transported by an outside mover with expenses paid by the department. Purchasing has established a Term Contract for moving services.

C. How the Central Warehouse Sells Surplus Property

The Central Warehouse uses three major methods to dispose of surplus property, depending on the type of item. First, property can be offered to the general public for sale. Second, vehicles, equipment and other surplus items are sold via a term contract with an auctioneer. Third, scrap metals are sold via a recycling term contract.

D. Reporting the Sale

When the property has been sold, the Central Warehouse reports the sale to the Controller. Proceeds are deposited in the General Fund, unless special rules require the proceeds to be credited to a particular fund. For enterprise departments (PUC, Airport, Port, Municipal Railway), the proceeds are credit to the departments.

E. Items the Central Warehouse Can Not Handle

The Central Warehouse cannot handle the disposal of chemicals or other hazardous materials. Departments should consult with their own departmental health and safety office if one exists, or with Public Health's Bureau of Environmental Health and Safety regarding disposal of such items.

808 Surplus Services of Central Warehouse

The Central Warehouse maintains a small inventory of office furniture, reconditioned typewriters, and equipment that can be issued to departments. Departments should consider using these items before requesting new items in the budget. To obtain these items, a department should:

1. Identify its equipment and material needs.
2. Call or visit Central Warehouse, or consult the inventory listing, to find out what is available.
3. Send a memo from the department to the Central Warehouse, stating the specific needs and giving the name and telephone number of a contact person.

If the request can be accommodated, Central Warehouse staff will call the contact person and advise if the request can be accommodated. As with the disposing of equipment, transportation of the equipment is handled by the department.

The Central Warehouse publishes a list of its inventory of surplus items. To receive a current copy or to get on the mailing list, call the Central Warehouse.

809 Vehicle Delivery, Licensing and Disposal

A. Delivery

With very few exceptions, new vehicles are delivered to Purchasing's Central Shops, 1800 Jerrold Avenue. Central Shops:

1. Gives the vehicles an inspection to assure that they meet the City's specifications.
2. Assigns a City fleet number and places the vehicles in the City's inventory. Initiates a permanent maintenance record for vehicles maintained by the Central Shops.
3. Does outfitting of vehicles maintained by Central Shops. Affixes City seals on all City vehicles, unless the department has receive an exemption from the Chief Administrative Officer pursuant to §4.12 of the Administrative Code.
4. Notifies the department to which the vehicle is assigned that the vehicle has arrived. Informs the department that they must turn in an existing vehicle before taking possession of a replacement vehicle

B. Licensing

1. Central Shops registers vehicles with DMV and applies for license plates.
2. The department is notified by mail when the license plates arrive at Central Shops.
3. If a vehicle's plates are lost, the department should notify Central Shops and Shops will contact DMV for replacements.

C. Selling Used Vehicles

1. Purchasing has established a contract with an auctioneer to sell City vehicles. Due to the auctioneer's wider market, the auctioneer can generally obtain higher prices for vehicles than the City could. When a department turns in a vehicle, the department delivers the vehicle to Central Shops.
2. Central Shops prepares the vehicle for sale by: removing the license plates; painting over the City seal on the doors; removing any City equipment from the vehicle.
3. Central Shops sends annual reports to the Controller of the inventory of City vehicles. Departments should not include vehicle-related information in their own reports to the Controller.

Surplus Turn-In Request

Instructions

Complete this form to: (1) dispose of items (including equipment) you no longer need; or, (2) turn in older equipment which is being replaced by new equipment. Complete this form when you are ready to turn in the items, or when the replacement equipment arrives, and send or fax the form to Purchasing's Central Warehouse, 2650 Geary Bl.

After you have submitted the form, call the Central Warehouse at 923-6532 to arrange for a time to deliver the items to the Warehouse. Depending on the type and condition of the items, the Warehouse may suggest that they be sold or disposed of on site rather than moved.

Routing

Send the form to the Central Warehouse, which will review the information and send a signed copy of the form to you. Do not attach this form to a Requisition being sent to Purchasing.

Equipment Inv.

<u>Tag Number (if applicable)</u>	<u>Item Description</u>	<u>Condition (Serviceable?)</u>
50-123	Xerox copier, Model 924	yes

Present Location: Room 5
 Contact's Address: 1000 Mission

Contact Person: JANE SMITH
 Phone: 554-1234

Jane Smith
 Signature of Department Official

BARENOLOGY, 50
 Department Name and Number

JANE SMITH, Director
 Type Name and Title

12-25-93
 Date

Action by Purchasing

Rec'd
Charles Windsor
 Purchasing Signature

12-27-93
 Date

Equipment Requisition Attachment

A. Please be sure the following information appears on the Requisition:

1. Name and general description of item desired and quantity to be ordered.
2. Budget information:

Index, Sheet, and Line numbers from your department's budget
Amount appropriated
Identified as New or Replacement as indicated in budget

If the equipment is replacing equipment you already have, enclose an "Equipment Inventory Credit Request."

B. Enter on this form the information requested below. Use attachment if necessary.

Do not include detailed specifications of a specific article. Overall quality and usefulness of alternate offers will be determined by comparison with equipment listed in Item 3 as a standard. Do not include construction details unless necessary to complete Items 5(a) and 5(b).

In explaining the need for any special requirements or characteristics which you list under Items 4, 5, and 6, please be specific. Do not note features which may be present in the item you have selected as suitable for your use, but which are not significant to the item's operation or use. Do include features that you will require and explain why they are needed.

3. Enter here the make and model of an item suitable for your purpose:

Milli-Q Plus/UF Compact Regaent Grade Water
Purification System, Millipore Cat. #ZD5311595

4. List below performance features (what you want the article to do and in some cases how you want it to do it) which are important to your use and which you feel may not be generally available in equipment from other manufacturers, and explain the necessity. This information is helpful to bidders and should be as complete as possible.

1. Must produce up to 1.5 liters of water per minute on continuous basis without storage. Must automatically recirculate every hour for 4.5 minutes to maintain system cleanliness and assure copious high-quality water on demand.
2. Need ultrapure pyrogen-free water. Must meet or exceed NCCLS Type I regaent grade water standards.

5. Modifications, Options, Accessories and Attachments

- a. Modifications. Does the article have to be modified to meet your requirements? Describe modifications here and explain the need for them.

No

- b. Options. Is the item available with options such as finish, materials, components and the like? If so, state your preference here and explain the need.

No

- c. Accessories and attachments. If you need attachments or accessories not included with the article referred to in Item 3 and which must be purchased separately, list here and explain the need.

1 ea. #CPMQK05D2 QPAD2 (Di-feed) with Millipak Filter
1 ea. #ZFMQ00PR Pressure regulator with gauge
1 ea. #ZWCL01F50 Sanitization tablets, 50/pk

6. Critical dimensions or capacities. If there are dimensional or capacity limitations relating to your use of the equipment, list them here and explain the need, giving tolerances where possible.

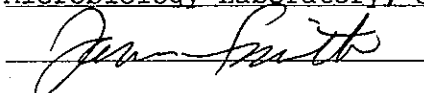
Must not exceed 19-1/2"H x 11-3/4"W x 17-1/4"D to fit into small space.

7. Must match existing equipment. Is the equipment listed in Item 3 the only equipment you can use because it must match or fit with equipment you already have? If so, please explain here.

8. Other equipment unsuitable. Is there any make and model of the item desired which you do not wish to consider because of unsatisfactory experience in the past or for other reasons? If so, please explain here.

Department Microbiology Laboratory, SFDPH

Signature



Name and Title Jane Smith, Lab Director