

# Operating Procedure

Title: Disposition of Obsolete, Inactive, Excess & Hazardous Equipment/Material  
Effective Date: July 31, 1994  
Revised Date: October 1, 2003

Number: 36-014  
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## A. POLICY

1. All MTA Metro-North Railroad property held in inventory that is no longer required or useful for operations must be disposed of in the manner most efficient and economically advantageous to the railroad, and in compliance with applicable laws and regulations. Obsolete, inactive, excess and hazardous equipment and material ("excess assets") shall be either sold at the highest price or removed at the least cost to Metro-North.
2. Excess assets are identified in the following ways, and are reported to the Assistant Director, Corporate Services for disposal:
  - a. Departments identify excess assets;
  - b. The Material Management department conducts regular reviews of inventory in storerooms and, using their standard criteria, determines excess assets; and
  - c. The Safety Department determines that items are excess assets because of their hazardous nature.
3. Where appropriate purchase contracts are already in effect at Metro-North or another agency, the Assistant Director, Corporate Services arranges for disposal of the material according to the contract terms. Otherwise, he/she is guided by the competitive bid procedure 36-005: Solicit Bids & Award Contracts/Purchase Orders. In some instances, excess assets may be sold at nominal fees to employees or approved non-profit groups or organizations, in accordance with procedures 36-005 and 36-015.
4. The Legal Department reviews all sales/disposal contracts and bills of sale, as circumstances warrant.
5. Applicable losses or gains resulting from asset sales or disposals are recorded in the Company's records at the times they occur.
6. The use of proceeds from sales of excess assets obtained with Federal Transportation Agency funds are governed by the current relevant FTA rules.
7. Each department is responsible for maintaining lists of all equipment in its charge, in accordance with Accounting Practice Instruction Number 1028. The Vice President, Operations is responsible for maintaining a rolling stock inventory (all passenger car, locomotive and non-revenue equipment that is active or recommended to become inactive and removed from service for sale/disposal).
8. The General Accounting department is responsible for complying with FTA disposal requirements. Their activities include:
  - a. Identifying FTA-funded equipment or unused material that has been disposed of or is awaiting disposal;
  - b. Compiling and storing the data related to federally-funded property;
  - c. Keeping records of the source of funds and disposition of funds from the sale of scrapped equipment, in accordance with FTA standards.

## B. STEPS

1. Departments identify and approve the disposal of excess assets by following the steps identified in Operating Procedure 36-015: Disposal of Company Property.
2. General Accounting determines whether the excess assets were FTA-funded.
  - a. FTA's approval is not required for the disposition of FTA-funded capital excess assets that have exceeded their useful lives as determined by the original contract.
  - b. The FTA is entitled to receive the federal portion of the appraised fair market value or net sales proceeds, if the item's fair market value or the net sales proceeds exceeds \$5,000.

General Accounting ensures that FTA receives proper reimbursement for their share of proceeds, when

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3. Using the department's standard criteria, the Assistant Director, Material Management annually checks inventory records to identify material that has been without usage activity. S/he provides this information to storeroom staff, who verify the quantities on hand and report variances.
4. Material Management submits a written list of excess items to each department, requesting that each identifies, within 30 days of receipt of the list, material no longer required for operations or material whose quantities exceed anticipated usage/demand levels. Also, user departments may declare items obsolete on their own initiative, and shall notify Material Management of same.
5. User departments may be required to provide written justification or usage forecasts on items they wish to retain, if Material Management has determined usage history indicates large variances.
6. Disposition of excess assets with a book value of greater than \$10,000 requires a staff summary sheet, accompanied by an Equipment Disposition Authorization Form CR-1, prepared by the user departments and approved by the Executive Vice President; if the value is greater than \$100,000, the documents must be approved by the President.
7. Using all gathered information, the Deputy Director, Material Management develops an approved list of excess assets to be included in the Material Sales Program's sales/accommodation awards.
8. Material Management forwards the approved list of excess assets to the Assistant Director, Corporate Services for inclusion in Metro-North's sales program. The list includes item description, Metro-North item number, original equipment manufacturer, manufacturer's part number, stock number, quantity and unit of measure, unit price/extended value and storeroom locations.
9. The Assistant Director, Corporate Services sells or disposes of excess assets per Operating Procedure 36-015: Disposal of Company Property.
10. Only after the assets have been sold or disposed of and are no longer under the control of Metro-North personnel, the Assistant Director, Corporate Services notifies the Assistant Director, Material Management, who inputs data from all inventory adjustment documents into the Integrated Procurement System to remove on-hand quantities from inventory.

## C. ADMINISTRATION

1. The Director, Procurement & Material Management is responsible for the administration of this policy.
2. The Director, Procurement & Material Management, and the Chief Financial Officer are responsible for the interpretation of this policy.
3. The Executive Vice President must approve exceptions to this policy.

This procedure sets forth only guidelines and does not constitute a contract, express or implied. Metro-North expressly reserves the right to change or cancel this procedure at its sole discretion at any time.

**APPROVED** Signed by T. Larkin, Director, Procurement & Material Management, on 9/26/03

Signed by S. DiMichael, Chief Financial Officer, on 9/30/03

Signed by G. Firnhaber, Executive Vice President, on 10/6/03



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## A. POLICY

1. All MTA Metro-North property that is no longer required or useful for operations must be disposed of in the manner most advantageous to MNR. Equipment, material and/or supplies that are deemed obsolete, scrap or surplus ("excess assets") are either sold at the highest price or removed at the least cost to MNR.
2. Requesting departments must identify excess assets and report them to the Assistant Director, Corporate Services ("AD, CS") for disposal. No other employee may authorize or permit the removal of assets from Metro-North property for sale or disposal.
3. Where appropriate purchase contracts are already in place at Metro-North or another agency, the AD, CS arranges disposal of the material according to the contract terms. Otherwise, the AD, CS is guided by the competitive bid procedure *36-005: Solicit Bids & Award Contracts/Purchase Orders*. In some instances, excess assets may be sold at nominal fees to employees or approved non-profit groups or organizations.
4. The Legal Department staff reviews all sales/disposal contracts, as well as bills of sale, as circumstances warrant.
5. When applicable, asset sales or disposals must be reflected in adjustments to inventory.
6. The proceeds from sales of excess assets purchased with FTA funds must be governed by *Operating Procedure 36-014: Disposition of Obsolete/Excess Equipment, Material*. All other proceeds go to the general revenue fund.

## B. STEPS: IDENTIFICATION OF ASSETS

1. Excess assets may be identified in several ways.
  - a. Designated personnel in each department should identify, prepare and position excess assets, as they become eligible for disposal.
  - b. At the end of a capital-funded contract or upon the end of the useful life of the excess assets, the project manager or department head should identify, prepare and position eligible excess assets for disposal.
  - c. In coordination with Material Management staff, obsolete/inactive and excess assets held within inventory are to be processed as outlined in *Operating Procedure 36-014*.
2. Excess assets available for disposal must be identified and described (including quantity, condition, estimated value and location) on either a CP-1 requisition form (available from the AD, CS) or in a memorandum, authorized by the department head.
3. The requesting department staff must prepare all forms listing excess assets and forward them to the Material Management department for determination of material quantities or inventories, and identification of any hazardous material requiring Safety Department inspection.
4. Upon receipt of notification, the AD, CS determines the most appropriate disposal method, based on the type of excess assets and, in some instances, may call in an independent appraiser to assist in this determination.
5. Where appropriate, the AD, CS requests Safety Department staff to inspect excess assets that may be hazardous and to report their results in writing to the AD, CS. Items deemed non-hazardous are disposed of as described below; disposal of items deemed hazardous becomes the responsibility of the Safety Department.



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## C. STEPS: DISPOSAL OF MATERIAL

1. Where an appropriate purchase contract is already in place at MTA Metro-North or another agency, the AD, CS arranges to dispose of the material according to its terms.
2. Without such a contract in place, the AD, CS is guided by the competitive bidding steps in *Operating Procedure 36-005: Solicit Bids & Award Contracts/Purchase Orders* and applies them to the sale. Once a bidder is chosen, the Deputy Director, Operating Contracts and the Director, Procurement and Material Management must review and approve in writing the final sales agreement prepared by the AD, CS.
3. Once the contract for disposal of equipment/material is in place, several steps must be taken sequentially.
  - a. The requesting department's field supervisor notifies the AD, CS that it has made the equipment/material available for pick-up and forwards a *Release of Company Property* form.
  - b. The AD, CS notifies the contractor that the material is ready for pickup and logs the pickup.
  - c. The contractor removes and weighs the material, and forwards the weight receipts to the AD, CS who reviews them for accuracy.
  - d. The AD, CS prepares a Property Sales Notice and forwards it to Accounts Receivable and Treasury staff for review and payment.
  - f. Periodically, the AD, CS conducts random inspections of various steps in the disposal process, including the contractor's weighing process.
4. Once a contract for disposal of obsolete, inactive or excess assets is in place, several steps must be taken sequentially.
  - a. Material Management staff forwards the completed CR-1 form or memorandum listing the excess assets to the General Accounting department and the AD, CS, who review and submit it to the Director, Procurement & Material Management.
  - b. Once the Director, Procurement & Material Management approves a contractor, the AD, CS forwards a copy of the contract to Accounts Receivable staff, who set up a receivable.
  - c. Upon notification by the AD, CS of the pending award, Material Management staff gathers together the listed items, prepares MM-5 forms and sends them to General Accounting.
  - d. The AD, CS notifies the successful contractor that the material is ready and forwards the agreement.
  - e. The contractor returns the signed agreement along with the remittance to the Director, Procurement & Material Management, picks up the material and sends receipting documentation to the Material Management staff, confirming that all items on the bill of sale were available and removed.
  - f. The receipt is forwarded from Material Management to the AD, CS who completes a Property Sales Notice and sends this, along with the payment, to General Accounting, Accounts Receivable and Treasury.
  - g. Material Management staff inputs the MM-5 data; General Accounting staff adjusts the inventory; Accounts Receivable records the remittance.

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5. Miscellaneous asset disposal to individuals, transit organizations, cities, towns and not-for-profit organizations is performed on a case by case basis.
  - a. Individuals or organizations must make their requests in writing to the Director, Procurement and Material Management.
  - b. The AD, CS will forward the requests to the responsible department head for review and approval.
  - c. If the excess assets are available, the AD, CS and the responsible department staff determine a net value.
  - d. If the value is less than the cost to the railroad of other means of disposal, the AD, CS presents a recommendation for approval and transfer of ownership documents for sign-off to the Director, Procurement and Material Management. The release of items with estimated market values of \$50,000 or more requires the President's signed approval.
  - e. The AD, CS notifies the requestor and arranges for the transfer of the excess assets.
  - f. In the case of inventory items, the requestor picks up the material and sends receipting documentation to the Material Management staff, confirming that all items were available and removed.
  - g. The receipt is forwarded to the AD, CS who completes a Property Sales Notice and sends this to General Accounting.
  - h. Material Management staff inputs the MM-5 data; General Accounting staff adjusts the inventory.
6. At the conclusion of the disposal process, the AD, CS maintains permanent records of the sale or transfer of ownership of the excess assets.

## C. ADMINISTRATION

1. Each department with excess assets is responsible for initiating the disposal process, and preparing and positioning the excess assets for disposal.
2. The Director, Procurement and Material Management is responsible for overall administration of this procedure and for reviewing and approving all sales or transfers of ownership.

This procedure sets forth only guidelines and does not constitute a contract, express or implied. Metro-North expressly reserves the right to change or cancel this procedure at its sole discretion at any time.

*Approved:* Signed by Thomas Larkin, Director, Procurement & Material Management, on 1/15/02

Signed by Genevieve Firnhaber, Executive Vice President, on 1/16/02



**Metro-North Railroad**