Title 19. Public Finance
Chapter I. Office of State Procurement, Department of Shared Administrative Services
Subchapter A. Generally
Part 1. Procurement Rules
Subpart 6. Commodity Management

19 CAR § 1-601. Definitions concerning commodity management.

(a) "Cannibalization" means the process whereby a nonexpendable surplus or excess commodity is dismantled for parts to be used as replacements or as components of other machines or devices.

(b) “Donation” means a transfer of ownership and title in surplus commodities for no monetary fees or consideration.

(c) “Electronic auction” means a competitive sale of commodities conducted remotely through a dedicated online platform. Bidders participate digitally, and the sale is awarded to the highest bidder at the close of the online bidding.

(d) “Eligible entities” is a collective term for state agencies, tax-supported institutions, and not-for-profit organizations.

(e)(1) “Lease” means a transfer of the right to possession and use of surplus commodities, for a specified term length not to exceed a seven-year period, for a monetary fee or other consideration, while retaining ownership and title in the surplus commodities.

(2) Monetary fees or other consideration may not be nominal.

(f) “Marketing and Redistribution” means the Marketing and Redistribution Section created within the Office of State Procurement pursuant to Ark. Code Ann. § 25-8-106.

(g) “Not-for-profit organization” means a private corporation under the Arkansas Nonprofit Corporation Act, Arkansas Code Ann. § 4-28-201 et seq., that is an exempt organization as described in section 501(c)(3) of the Internal Revenue Code, 26 U.S.C. § 501(c)(3), and that:

(1) Has benevolent, philanthropic, patriotic, or charitable purpose; and

(2) Performs a function that would be performed at the public expense if it were not performed by the organization.

(h) “State agency” is as defined in Ark. Code Ann. § 19-61-103.

(i) “Tax supported institutions” means institutions that derive at least fifty percent (50%) of their revenue appropriation from a taxing jurisdiction.

(j) “Traditional auction” means an in-person, competitive sale of commodities conducted by a licensed auctioneer at a physical location. Bidders must be physically present to participate, and the sale is awarded to the highest bidder at the close of the bidding.

19 CAR § 1-603. Marketing and redistribution surplus computer sales procedures.

(a) **Sales made within the state agency.** The state agency will:

(1)(A) Create a customer receipt for the sales price and calculate sales tax.

(B) The receipt shall include:

(i) The type of equipment, model number, serial number, and property tag number;

(ii) The purchaser of the equipment; and

(iii) The purchase amount;

(2) Record the receipt in the cash journal as a customer payment; and

(3) Request a funds transfer through the Department of Finance and Administration Office of Accounting, who shall transfer funds in accordance with the law.

(A) The sales tax will be paid when the Department of Finance and Administration Office of Accounting does their (owning agency's) monthly billing for sales and use tax.

(b) **Sales made through Marketing and Redistribution on behalf of the agency.** Marketing and Redistribution will:

(1) Create a customer receipt to record the sales price and sales tax;

(2) Record the receipt as a customer payment in the cash journal; and

(3) Request funds transfer through the Department of Finance and Administration Office of Accounting, who will transfer funds in accordance with the law.

(A) The sales tax due will be included in the Department of Finance and Administration monthly report of sales and use tax.

19 CAR § 1-604. Surplus computer sale reporting.

(a)(1) Each agency shall provide to Marketing and Redistribution, by the tenth of the month following the sale, a list of all surplus computer items sold.

(2) The list shall include the type of equipment, model number, serial number, and property tag number, to whom the equipment was sold, and the amount.

(b) If the sale of surplus computer or electronic equipment is made within the agency, sixty percent (60%) of the proceeds shall be returned to the agency and forty percent (40%) of the proceeds shall be deposited with Marketing and Redistribution.

(c) If the sale is conducted by Marketing and Redistribution outside the agency, the owning agency will receive fifty percent (50%) of the proceeds and fifty percent (50%) of the proceeds will be retained by Marketing and Redistribution.

19 CAR § 1-605. State Agency commodity management procedures – Disposition of commodities other than computers and electronic equipment.

(a) **Resale.**

(1) Marketing and Redistribution will make commodities that are in serviceable condition or commodities that have potential use available to eligible entities for a five-day hold period prior to making them available to the general public.

(2) During the five-day hold period, Marketing and Redistribution may only sell the commodities to eligible entities.

(3) The State Procurement Director or the director's designee may waive the five-day hold requirement when he or she determines that such waiver is in the state's best interest.

(b) **Intrastate agency sale.**

(1) Excess and surplus commodities may be sold to another agency by completing and submitting an Intrastate Agency Sale Form.

(2) This form must be completed and forwarded electronically from the selling agency to the purchasing agency, then to Marketing and Redistribution, which will forward it to the Department of Finance and Administration Office of Accounting for completion and transfer of funds.

(c) **Disposal.** When commodities have no scrap or resale value, a certificate of property disposal form must be submitted to Marketing and Redistribution, which will then return a certificate of property disposal authorization to the requestor, indicating the proper handling procedure for the commodities.

(d) **Cannibalization.**

(1) (A) The disassembly of an item for use of its component parts for repair or maintenance of a similar item may only be authorized if such action has greater potential value and benefit than disposal or trade-in of the item in its existing form.

(B) Authorization for cannibalization shall be approved by the Marketing and Redistribution Director prior to any disassembly or removal of components parts.

(C) If authorized, the item will be removed from the agency's property listing by the requesting agency.

(D) Any residual material remaining after cannibalization must be processed through Marketing and Redistribution.

(2)(A) **Cannibalization of Motor Vehicles.** Motor vehicles eligible to be registered for highway use (cars and trucks), whether registered or not, may be cannibalized after obtaining authorization from the Marketing and Redistribution Director.

(B) These vehicles will not be removed from the property listing until the carcass of the vehicle has been disposed of by Marketing and Redistribution.

(C) These procedures do not exempt an agency from compliance with any other requirements relating to the disposal or acquisition of motor vehicles.

(e) **Handling of surplus equipment.**

(1) State agencies with surplus items must contact Marketing and Redistribution to schedule a delivery or pick-up date.

19 CAR § 1-606. Auction and onsite sales — Disposition of commodities.

(a) **General requirements**.

(1) Commodities that are not subject to or have completed the five-day hold period, pursuant to 19 CAR § 1-605(a), may be offered for sale.

(2)(A) Furniture or equipment may be loaned or rented to a state agency with the approval of the owning agency.

(B) The rental fee or fees less applicable handling fee or fees will be remitted to the owning agency.

(b) **Notice required.**

(1) Public notice of commodities sold by competitive sealed bid should be given at least five (5) days prior to the date established for the sale.

(2) The notice will include publication in any electronic or printed medium.

(c) **Public auction.**

(1)(A) Public auction may be used when deemed in the best interest of the state.

(B) Auction costs will be paid from proceeds.

(C) In a traditional auction, the agency requesting the auction will be responsible for any expenses not covered from the proceeds.

(D) Any cost associated with an electronic auction will be covered by proceeds from the sale.

(2) **Procedures.**

(A)(i) In a traditional auction a licensed auctioneer will be used.

(ii) The solicitation to bidders must stipulate, at a minimum:

(a) All terms and conditions of the sale;

(b) That the purchaser must remove all items purchased within a stated time; and

(c) That the state retains the right to reject any and all bids.

(B) In an electronic auction, the purchaser must pick up or otherwise cause the items purchased to be removed within a stated time.

(d) **Competitive sealed bidding.**

(1) Competitive sealed bidding will be used when it is determined by the Marketing and Redistribution Director that it is in the best interest of the state.

(2) **Procedures.** When surplus or excess commodities are to be sold by competitive sealed bidding, the procedures followed must be in accordance with Arkansas Code §§ 19-61-501, 19-61-502, and 19-61-505, and the rules promulgated hereunder except the award will be made to the highest bidder with the state retaining the right to accept or reject any or all bids when in the best interest of the state.

(e) **Onsite sales.**

(1) **Definition.** "Onsite sales" includes the process of:

(A) Internet auctioning; and

(B) Sale of commodities to the general public from Marketing and Redistribution, a satellite location, and/or other agency locations when approved by Marketing and Redistribution.

(2) Onsite sales will be used for surplus and excess items not purchased by other state agencies or tax supported entities.

(3) **Procedure.** The selling price will be established by Marketing and Redistribution based upon:

(A) Demand;

(B) Condition of commodities;

(C) Past experience gained from auction or competitive sealed bid sales; and

(D) Retail prices for same or similar commodities in the local market.

(f) **Negotiated sale.** A Negotiated sale may be used if no acceptable bids were received during the bid process.

(g) **Trade-in.** Surplus commodities may be traded at the Marketing and Redistribution Director's discretion.

(h) **Lease or donation.**

(1) Surplus commodities may be leased or donated to tax supported entities or nonprofit organizations when:

(A) Requested in writing by the owning agency through a lease or donation request form; and

(B) Approved by the State Procurement Director or their designee.

(2) If approved, the requesting agency must maintain a copy of the original written request and the written approval/disapproval from the director for audit purposes.

(3) Copies of the request and approval/disapproval will also be maintained by Marketing and Redistribution.

(i) Disposition of Commodities by the Arkansas Department of Transportation

(1) The Arkansas Department of Transportation may dispose of its own commodities without the assistance of Marketing and Redistribution. However, its dispositions must comply with all applicable law, rules, and procedures.

(2) Nothing herein is intended to prohibit the use of the office for the disposition of those commodities, and the department may request Marketing and Redistribution make the disposition.

(j) **Online sale for commodities in remote locations or that are cost prohibitive to transport.**

(1) Commodities that are in remote locations or that are cost prohibitive to transport to Marketing and Redistribution shall be reported in writing to Marketing and Redistribution with a complete description and details of the condition of the commodity.

(2) Marketing and Redistribution will make one (1) of the following recommendations:

(A) Redistribution.

(i) The commodity may be redistributed for state use and Marketing and Redistribution will notify eligible entities that could utilize the commodity.

(ii) When the property is sold, the receiving agency will be responsible for the removal of the item or items with the expense of moving being taken into consideration when price is determined; or

(B) Onsite Sale.

(i) An onsite sale may be conducted in accordance with 19 § CAR 1-606(e).

(C) Disposal or Cannibalization.

(i) The property may be disposed of or cannibalized in accordance with 19 CAR § 1-605(d).

(D) Competitive Sealed Bidding.

(i) The property may be sold in accordance with 19 CAR § 1-606(d).

(3) Specialized commodities may be offered for trade-in only when the trade-in price is approved by the Marketing and Redistribution Director.

(4) If none of the above procedures are applicable, the State Procurement Director will make an individual determination.

19 CAR § 1-607. Allocation and disbursement of proceeds from sale or disposal of surplus commodities.

(a) **Using agency**.

(1) The proceeds from the sale, lease, or disposal of surplus commodities, and proceeds from an insurance policy for loss of property because of fire, storm, or other causes, less appropriate fees, will be remitted to the using agency which had possession of the commodity.

(b) **Fee schedule.**

(1) Marketing and Redistribution will maintain a fee schedule that will set forth charges for its services. Any charges will be deducted from the proceeds before they are remitted to the agency.