GENERAL SERVICES ADMINISTRATION
Washington, DC 20405

November 12, 1991

FIRMR BULLETIN C-30

TO: Heads of Federal agencies
SUBJECT: Replacement of, and screening for, Federal information processing (FIP) equipment under exchange/sale authority

1. Purpose. This bulletin provides guidance on the transfer, sale or exchange of FIP equipment pursuant to the provisions of the Federal Information Resources Management Regulation (FIRMR) 201-23 and the Federal Property Management Regulation (FPMR) 101-46.

2. Expiration Date. This bulletin contains information of a continuing nature and will remain in effect until canceled or superseded.

3. Contents. This bulletin addresses the following topics:

4. Related material.
   - FAR PART 6
   - FAR PART 14
   - FAR PART 15
   - FIRMR 201-23
   - FIRMR 201-39
   - FIRMR Bulletin C-2
   - FPASA, Title II, Subsection 201(c)

FPMR Part 101-43
FPMR Part 101-45
FPMR Part 101-46
FSS "Personal Property Utilization and Disposal Guide"

5. Information and assistance. Additional information on this bulletin may be obtained from:

General Services Administration
Regulations Analysis Division (KMR)
l8th and F Streets, NW
Washington, DC 20405
Telephone: (202) 501-3194 (v) or FTS 241-3194, or
(202) 501-0657 (tdd) or FTS 241-0657 (tdd)

Additional information on the exchange/sale program may be obtained from GSA/KMAD by calling 202/501-1566 or FTS 241-1566. Information on the sales program may be obtained from the GSA/FSS Central Office by calling Commercial or FTS 703/305-6808 or by contacting regional sales office.

6. Definitions. For purposes of this bulletin, terms related to exchange/sale are defined as follows:

a. "Excess personal property" means personal property under the control of any Federal agency which is not required for its needs and the discharge of its responsibilities, as determined by the head thereof. (See FPMR 101-43.001-6.)

b. "Exchange" means to replace a non-excess personal property item by trade or trade-in with the supplier of the replacement item when the value of the replaced item is used to reduce or offset the cost of the acquired item. The supplier may be a Government agency, commercial or private organization, or an individual. (See FPMR 101-46.001-3.)

c. "Sale" means the sale of non-excess personal property, from which the proceeds will be applied to the cost of replacement property.

d. "Exchange/sale" means the disposition of property that is not excess to agency needs but eligible for replacement, which is exchanged or sold under the provisions of FPMR 101-46 in order to apply the exchange allowance or sales proceeds to the acquisition of similar or like items.

e. "Fair market value" means the best estimate of the gross proceeds that would be recovered if the property were to be sold by competitive bid, or the dollar value offered on a trade-in basis.

f. "Reimbursable transfer" means a transfer between two Federal agencies of equipment, for which the receiving agency makes payment based on the fair market value of the equipment.

g. "Surplus personal property" means any excess personal property not required for the needs and the discharge of the responsibilities of all Federal agencies, as determined by GSA.

7. Acronyms.

CBD	Commerce Business Daily
FIP	Federal information processing
FMV	Fair market value
FAR	Federal Acquisition Regulation
FPASA	Federal Property and Administrative Services Act
FPMR	Federal Property Management Regulations
FSS	Federal Supply Service
OAC	Original acquisition cost
OF	Optional form

8. General.

a. This bulletin is intended to assist Government agencies and vendors in understanding the existing regulatory process associated with the exchange or sale of FIP resources.

b. Subsection 201(c) of the Federal Property and Administrative Services Act (FPASA) of 1949, as amended, provides the authority under which an executive agency may sell or exchange similar or like items. It authorizes the exchange allowance or proceeds from sales to be applied against replacement property costs, and requires all transactions of this type to be evidenced in writing. Policies and methods governing the use of the exchange/sale authority are contained in FPMR Part 101-46.

c. An exchange/sale transaction offers an alternative for replacing FIP equipment that no longer adequately serves the purpose or function for which it was acquired.

d. Methods by which an exchange/sale transaction can be effected include:

(1) a reimbursable transfer between two agencies;

(2) an exchange or trade-in, of equipment with a non-Government organization for similar equipment, where the exchange/trade-in value will be applied to the purchase of replacement equipment; or

(3) a sale of equipment with the proceeds applied to the cost of the replacement equipment.

e. Limitations may exist in some agencies (e.g., the Department of Defense) on the use of exchange/sale procedures. Acquisition personnel should ensure adherence to any agency specific policy, guidance, or legal limitations.

f. If an agency sells FIP equipment before purchasing replacement equipment, proceeds may be credited to the agency's account and made available for acquiring similar replacement equipment during the current or the succeeding fiscal year. If not used in that period, the proceeds are deposited to miscellaneous receipts (unless other disposition is authorized by law). If property is sold after purchase of replacement property, the proceeds may be deposited as reimbursement to the appropriation charged for the replacement items. (See FPMR 101-46.304)

g. If one unit of an agency has FIP equipment that it no longer needs, the equipment may be reassigned to another unit that needs such equipment. If the equipment to be reassigned meets eligibility requirements for exchange/sale, it may be used by the gaining unit in an exchange with a supplier. Sales proceeds from an eligible item sold by one unit may also be applied to the cost of a similar item acquired by another unit. (See FPMR 101-46.302(b) and 101-46.304(c).) Reimbursable reassignments/transfers between two units of an agency should be done in accordance with agency procedures and budgetary or administrative limitations.

h. Sometimes an agency may require an upgrade or other change to an existing system to accommodate growth or for other reasons. If the capability for such a change is not built into the contract initially through some specified option, then competitive procedures must be followed as well as appropriate FIRMR provisions regarding delegations of procurement authority (see FIRMR Part 201-20.305). If options are built into contracts, an agency has an obligation to perform market analyses before exercising an option to ensure reasonable prices. During this process when an agency is considering alternatives, consideration could be given to whether the upgrade/change would be more beneficial than would conducting an exchange/sale for replacement equipment.

9. Conditions/considerations for exchange/sale transactions. The steps for conducting a transaction using exchange/sale authority are found in Attachment A to this bulletin. Before an agency conducts a transaction under the exchange/sale authority, the basic requirements discussed below should be met.

a. Qualifications for exchange/sale equipment. FIP equipment may qualify as "exchange/sale" equipment if there is a continuing need for the functions performed by the equipment to be replaced, if the agency expects to acquire similar replacement equipment better suited to meet agency needs, and if the agency anticipates use of the exchange allowance or sales proceeds to offset the cost of replacement resources. If the exchange allowance or proceeds from sale are to be applied, in whole or in part, to the acquisition of replacement resources, the replacement equipment must be needed to satisfy a continuing requirement and be similar to the equipment being replaced. (See FPMR 101-46.202(b)(1) and (2).)

b. Required determinations. Prior to conducting an exchange/sale transaction, an agency must determine:

(1) that the equipment meets all eligibility criteria in FPMR Part 101-46 for exchange/sale property;

(2) which method (exchange or sale) is most advantageous to the Government; and

(3) that proceeds from the exchange or sale will be applied to the cost of replacement equipment. If a sales transaction is uneconomical or the exchange allowance is unreasonably low, the equipment should be declared excess and processed in accordance with FIRMR Bulletin C-2. (See FPMR 101-46.201-1.)

c. Establishing FMV. FMV must be established to determine the amount of reimbursement from a receiving agency, as allowed for in FPMR 101-43.309-3(b); for inclusion on the SF 120 forwarded to GSA/KMAS (this amount should not be confused with the $l million threshold for required reporting); to make a determination pursuant to FPMR 101-46.201-1 (whether exchange or sale will yield the greater return to the Government); to determine whether estimated proceeds will require approval from GSA/FSS for sales, in accordance with FPMR 101-45.105-3(c); and to determine if reasonable prices are bid/offered for sale or exchange/trade-in purposes, if applicable.

Normally when an agency holding equipment that will be replaced conducts an acquisition under the exchange/sale authority, information should be provided in the CBD notice not only on the equipment to be acquired, but on the equipment to be disposed of. The solicitation would provide any necessary details to potential offerors/bidders, and the resulting offers/bids should be sufficient to establish FMV. However, this may not always be the case, and agencies may need to determine FMV in other ways. Some suggestions for establishing FMV follow:

(1) Information may be obtained from the various commercial organizations that monitor/report on market prices for various equipment. The sources known at this time by GSA are: Computer Merchants, Inc., 200 Brady Avenue, Hawthorne, NY 10532 or P.O. Box 1006 (914/769-2686); Daley Marketing Corporation, 151 Kalmus, H4, Costa Mesa, CA 92626 (714/662-0755); and Digital Dealers Association, 107 South Main Street, Suite 202, Chelsea, MI 48818 (313/475-8333).

(2) Market research may be conducted with vendors such as manufacturers, systems integrators, or used computer equipment dealers. Agencies must be cautious, however, in their discussions with potential offerors to a subsequent procurement, since there are penalties associated with releasing procurement-sensitive information. It is suggested that, to avoid these problems, communications be coordinated with the contracting officer.

(3) Prior Government sales can be surveyed, but they may not always be reliable. Other agencies as well as GSA/FSS regional offices may be contacted, but the timeliness of available information and the manner in which it was obtained (competitive or in other ways) should be considered. If a significant period of time has lapsed since a sale, prices may vary significantly.

d. Validating FMV. It is recognized that, in reimbursable transfers and potential exchanges, the true value of an item may be difficult to determine. In order to ensure that the holding agency will receive the FMV of the equipment to be exchanged or sold (and to ensure that the receiving agency pays only the FMV), an agency may wish to validate the FMV established by the Government for the equipment to be disposed of. One way to do this, if an agency elects to do so, is to publish a notice in the CBD of the available equipment, without disclosing the dollar value established by the Government. This allows an agency to decide whether a transfer or solicitation would be in its best interests. If a receiving agency questions the methodology used to determine the FMV by a holding agency, it may use the methods shown in paragraph 9.c. above for validation purposes.

e. Screening. FIRMR 201-23 requires screening for other Federal agency needs prior to disposal actions. If an intra-agency need is identified, reassignments may be made in accordance with agency procedures. Reporting to GSA/KMAS for screening is not required if an intra-agency reassignment is to be made. If the component OAC of the equipment is under $1 million, it may be screened and disposed of in accordance with agency procedures, including deciding which agency receives the equipment if multiple needs are identified, or in accordance with GSA/FSS procedures. If the component OAC is $1 million or more and the equipment is not outdated and is not reassigned within the agency, it must be reported to GSA/KMAS for interagency screening. In this situation, GSA/KMAS will decide the agency to which the property will be transferred if there are competing requests. (If equipment is outdated and declared excess, the agency reports it directly to GSA/FSS.) The screening process lasts 30 - 60 days, a duration of time that may affect prices. Agencies may take the following actions to expedite the process:

(1) Searching for other sources for the equipment to be replaced, even when GSA screening is required. This is especially helpful where the electronic capability to communicate with other agencies exists.

(2) Communicating with property officers of other agencies.

(3) Parallel intra- and interagency screening before submission to GSA. If another agency's need is identified early, it may not be necessary for either the receiving agency or the holding agency to issue a solicitation (for equipment to be replaced).

(4) Beginning the screening and solicitation process simultaneously. FIRMR 201-23.003(d) allows exchange/sale transactions to be initiated in parallel with interagency screening, but screening must be completed prior to concluding the transaction. If a Federal need is not identified by the time the solicitation is complete, the solicitation could be issued with the understanding that if a need is identified prior to award, then the Government may make an award only for replacement equipment. There are pros and cons to this method. The positive side is that, if a Federal need for the equipment is not found (1) the procurement process will be significantly shortened and (2) the best possible prices would be obtained. On the negative side, if another agency's need is identified and a determination is made to transfer the equipment, (1) valuable resources would have un-necessarily been expended, (2) the process will be longer, and (3) prices for the available equipment may have dropped. As an alternative to the above possibilities, an agency could combine the two, preparing only the essential documentation, and where resources may be available without other agency programs being negatively affected, work on a solicitation could proceed to the point it is ready for issuance immediately upon knowing if an a transfer will be made.

(5) Requesting deviations from the requirements for the full screening periods normally observed in situations where conditions may require that equipment to be replaced be moved quickly, or where other urgent conditions exist.

f. Reimbursable interagency transfers. If a recipient is found in the screening process, the agency receiving the equipment shall pay FMV. If the agency is willing to pay the FMV, equipment is normally transferred via a "reimbursable transfer." This may be done on terms arranged between the agencies if the OAC is under $1 million and by GSA/KMAS if the OAC is $1 million or more. Agencies should be aware of the prohibition against one agency charging another agency more than the FMV. (See FPMR 101-46.201-2(c).)

g. Competition/solicitation considerations. If screening does not identify other Federal needs, and an exchange/sale solicitation will be issued, FIRMR 201-23.003(d) directs agencies to follow the contracting policies and procedures in FIRMR 201-39 and the Federal Acquisition Regulation and the policies and procedures on exchange/sale in FPMR 101-46. Acquisition personnel should also comply with agency policy or procedures on exchange/sale. There are some differences in the process for exchanges and sales. If a solicitation for an exchange or trade-in is used, FAR/FIRMR procedures should be used. If a sale is conducted, FPMR 101-45 procedures must be followed. There are differences in the manner in which an exchange or a sale is conducted, and in the way solicitations are prepared. Guidance on these differences is included in Attachment A.

10. Consideration of age and condition of exchange/sale property. Reimbursable transfers of older equipment between Federal agencies should be carefully considered. When an agency has a need for FIP resources, it should consider whether or not the used equipment available from another agency will be the most advantageous alternative to the Government. Outdated computer equipment is not made available for transfer and reuse within the Government unless its use is specifically justified as necessary to satisfy agency needs. A review of FIRMR Bulletin C-29 may be helpful in making this decision. FPMR 101-46.202(c)(8) prohibits the sale of new/unused equipment for exchange/sale purposes.

11. Reporting. Agencies must report summary information on exchange/sale transactions to GSA/FSS as required by FPMR 101-46.305 for annual reporting to Congress. If no exchange/sale transactions are conducted, a negative report to that effect is also required. Reports are forwarded to the General Services Administration (FB), Washington, DC 20406.

Thomas J. Buckholtz
Commissioner
Information Resources
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THE PROCESS FOR CONDUCTING TRANSACTIONS
UNDER EXCHANGE/SALE AUTHORITY

1. Identify equipment that qualifies for exchange/sale. (See paragraph 9 of this bulletin, FPMR 101-46.200 and 101-46.202.)

Note: For purposes of determining if an item is "similar" in order to qualify for exchange/sale, FPMR 101-46.202(b) should be reviewed. The key is that the replacement equipment will perform substantially all of the same functions/tasks as the equipment being replaced. Similar equipment can be one item for another item, or a number of components comprising a system. In the latter case, similarity would be to the system as a whole - not component by component. Some examples are:

a CPU may be replaced by a newer CPU;

older PCs may be replaced by newer PCs;

older printers (whether or not they are all the same make/model when being disposed of in the aggregate) may be replaced with newer printers;

keyboards may be replaced with newer keyboards that provide better service;

newer storage devices may replace older storage devices;

controllers may replace controllers, even if the manufacturers are different, or

a desktop publishing system may replace an older system (this is considered as a whole not on a component basis).

In larger systems that are being replaced, consideration should be given to the functions/tasks/purpose of the system, as a whole - not to each individual component. However, FIP equipment that is serving one purpose cannot be used to replace different items to serve different purposes. For example, printers should not be procured to replace disk drives, or a CPU should not be procured to replace a number of different items.

2. Prepare a written determination that the exchange allowance or sales proceeds will be applied to the cost of replacement resources. This determination must be made no later than the time of exchange or sale, or at time of acquisition if replacement equipment is acquired before disposition of equipment to be replaced. (See FPMR 101-46.202(b)(4).)

3. Determine the FMV (sometimes referred to as "upset prices" in sales) of the equipment, using guidance contained in the body of this bulletin. For establishing FMV/upset prices in advance of sales, see FPMR 101-45.304-3(c).

4. Determine whether an exchange or sale will obtain the maximum return to the Government. (See FPMR 101-46.201-1.)

5. If the equipment to be replaced is not reassigned within the holding agency, and the component OAC is $1 million or more, it is reported to GSA/KMAS on an SF 120 for interagency screening. The SF 120 should identify the equipment as "exchange/sale property under 41 CFR 101-46." (See FIRMR 201-23, FIRMR Bulletin C-2 and FPMR 101-46.201-2(a)). If the OAC is under $l million, the holding agency may screen and dispose of the equipment in accordance with holding agency or GSA/FSS procedures. See paragraph 9.e of this bulletin for suggestions on ways to expedite the screening process.

6. If a Federal need is identified, agencies may arrange for a transfer with reimbursement on an FMV basis, using an SF 122, to be processed by GSA/KMAS if the OAC is $1 million or above, or between the two agencies if under $1 million. No further action is required. If no Federal requirements are identified, steps subsequent to this paragraph apply.

7. If an acquisition is conducted under the exchange/sale authority with an entity other than a Federal agency (for other than a straight sale), no reporting other than that in Paragraph 5 above, and annual reporting, is required. A solicitation (sealed bid or negotiated) may be issued. Following are some requirements and considerations that may help in conducting these acquisitions.

a. The solicitation should identify the acquisition as an exchange/sale or one involving replacement resources.

b. Acquisitions must be publicized in accordance with FAR Part 5.

c. Solicitations should provide details on the available equipment, to include: make and model; serial numbers; condition and age of equipment; known defects or needed repairs; information on certifications for maintainability from the original equipment manufacturer, availability for inspection, location, and contact; available information on maintenance history; and any other pertinent information that prospective bidders/offerors may need. (Agencies should ensure that there are no manufacturer/contractor restrictions on resources to be disposed of.)

d. The terms and conditions under which equipment will be released and the timing for release should be provided.

e. The Government should retain the option to select the best alternative offered, including combined offers to receive the Government equipment and provide replacement equipment or offers of exchanges on a component basis. There may be situations where one offeror may provide only an offer for the equipment being held by the agency. Another offer may be made to provide newer equipment, but not for the equipment to be replaced. Agencies should consider the flexibility they may need to evaluate various types of offers in order to select the most advantageous alternative for the Government.

f. Solicitations should request offers with an exchange allowance and without an exchange allowance. This allows award for the replacement equipment even if the equipment available for exchange is transferred to another agency. The agency should consider if it would be advantageous to request/allow line item or component pricing. Component pricing helps establish FMV for each item. Since prices fluctuate for used equipment, the solicitation should require that offerors specify time periods for which bids/offers are good. This is important where more than one set of prices may be offered and prices to which the offerors may be bound may be dependent on award date.

g. If an agency wishes to retain the option to consider all offers, the solicitation must reflect this flexibility. It is essential that prospective bidders/offerors understand how evaluations of various alternative offers will be conducted and a source(s) selected.

h. If an agency elects to start the screening process simultaneously with the solicitation process, the solicitation should provide appropriate information to prospective offerors. (See paragraph 9.e(4) on page 7.)

8. If only a sale is to be conducted, in addition to steps 1-6 above the following process is followed:

a. If proceeds are not expected to exceed $5,000, an agency can conduct the sale, but must provide advance notice to the GSA/FSS regional sales office. For sales proceeds anticipated to be above $5,000, the agency must forward a written request (no forms needed) for approval to the appropriate GSA/FSS regional sales office. If a request to sell is not made by an agency, and the equipment is $1 million or over, if GSA/KMAS does not identify a Federal need through screening, the SF 120 submitted under paragraph 5. above will be forwarded by GSA/KMAS to the GSA/FSS central office for sale. Proceeds will be returned to the agency if requested. If the agency is requesting that GSA/FSS sell equipment under $1 million, an SF 126 must be forwarded to the GSA/FSS regional office. Agencies are encouraged to communicate with GSA regional sales offices if they have questions about these procedures.

b. All sales by holding agencies must be conducted under the "limited sales by holding agencies" authority in FPMR 101-45.304-3. A sales offering must be prepared using OF 15 that describes property, including any known defects or repairs required, states payment terms, and includes any special terms and conditions.

c. Advertise the sale, in accordance with FPMR 101-45.304-3(a) and 101-45.304-7, by posting OF 15 in public places, CBD notice, direct mailings, and any other advertising method, at least 10 days in advance of sale. If the OAC of property to be sold is $250,000 or more, a notice is required to be published in the CBD at least 20 days prior to bid opening or date of sale. (See FPMR 101-45.304-7.)

d. Prepare an abstract of bids from the sale (see FPMR 101-45.304-3(d)) to determine the highest bidder, and prepare a sales contract on OF 16, "Sale of Government Personal Property." (See FPMR 101-45.304-3(f).)

e. Forward the sales results to the appropriate GSA regional sales office within 10 days of the sale, with copies of OF 15 and OF 16, the bid abstract, and the property listing. (See FPMR 101-45.304-3(i).)

Note: Negotiated sales, if determined to be in the best interest of the Government, must be conducted according to the limitations and guidelines provided in FPMR 101-46.303. The appropriate GSA regional sales office should be contacted for assistance as required.

The "Personal Property Utilization and Disposal Guide," referred to in this bulletin is available from GSA/FSS regional offices or the GSA Centralized Mailing List Service, P.O. Box 6477, Ft. Worth, TX 76115 (Mailing List Code: PUDG0001). It provides helpful information on the exchange/sale process. Agencies are encouraged to use this Guide in conjunction with FPMR 101-46.