

# Statewide Inventory Property Management and Reporting Policy

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Admin  
**MINNESOTA**

Department of Administration

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## MEMORANDUM

DATE: October 9, 2003

TO: Agency Heads

### INFORMATIONAL BULLETIN ADMIN 03.19

FROM: Brian J. Lamb  
Commissioner

A handwritten signature in black ink, appearing to read 'Brian J. Lamb'.

SUBJECT: Property Management Reporting and Accountability

### CHANGES TO EXISTING POLICY

This revised policy rescinds Admin Policy and Procedure 96.2, *Management of the State's personal property and inventory reporting*, dated May 30, 1996, and its revision dated June 11, 1996.

Major revisions clarifying agency requirements pertaining to state property are:

- Increased reporting and accountability for sensitive items.
- Increased the accountability (stewardship) threshold:
  - equipment from \$2,000 to \$5,000
  - accountability thresholds identified for all asset categories.
- Procedural requirements for assets used by employees outside the employer's work location.
- Referenced the Code of Ethics M.S. § 43A.38, *Code of Ethics for Employees in the Executive Branch*, relative to state property usage.
- Referenced the appropriate MAPS Operations Policy and Procedures *and A User's Guide to State Personal Property Management*.
- Definitions have been broadened and are more detailed.

### PURPOSE

This policy is intended to establish a comprehensive statewide policy for the management, reporting and accountability of capital assets, sensitive items, consumable inventory and employee-owned personal property in the workplace. General procedures for implementing this policy are contained in the user's guide, *Fixed Asset Manual* and *A User's Guide to State*

*Personal Property Management*, which will be updated to reflect this policy. This guide includes, at a minimum, procedures for handling capital asset acquisitions and dispositions, maintaining a record-keeping system and performing physical inventories and spot-checks.

## **DEFINITIONS**

1. **Capital Assets**: Tangible and intangible assets that are used in state operations for two or more years. Examples include:
  - a. Land, land improvements and permanent easements.
  - b. Buildings and building improvements.
  - c. Construction-in-progress.
  - d. Capitalized leases and leasehold improvements.
  - e. Equipment including vehicles and machinery.
  - f. Betterments (An addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity. The capital asset must meet the accountability threshold prior to the inclusion of any betterment cost. The cost of the addition or change is added to the book value of the asset. Betterment is a term synonymous with improvements.)
  - g. Works of art, monuments and other historical treasures.
  - h. Infrastructure that includes long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, fiber optic networks and lighting systems.
2. **Sensitive items**: As established by agency policy, these are items that are generally for personal use, or that could be easily sold and are most often subject to pilferage or misuse. Examples include firearms and other weapons, personal computers (PCs - both desktop and portable models), PC printers, other PC accessories that are detachable from the PC (modems, external disk drives, tape backup systems, scanners), network servers and printers under \$5,000 total acquisition cost, wireless technology, televisions and other video equipment, projectors, citizen-band and other two-way radios, cameras, tape recorders, global positioning satellite (GPS) devices, cellular phones, TTY equipment, facsimile machines, pagers, Palm Pilots, portable power tools (including tool sets and tool boxes) and vehicle parts (tires and batteries).
3. **Consumable inventories**: (a) Items purchased by an agency for reissue/reuse/resale that the agency controls as part of its ongoing operations (e.g., controlled substances, ammunition, construction materials, bulk fuel, hardware items, maintenance parts, licenses, license tabs, boat stickers, permits, goods for resale or non-perishable food items that have a long shelf life and are stocked by the agency); or (b) items purchased to be incorporated into or attached to an end item during production, including raw materials and processed materials.
4. **Supplies**: Items purchased by an agency and used immediately or within a reasonable period of time after they are acquired (i.e., office supplies, or instructional materials and supplies that are consumed as part of a class or training activity).

5. Capitalization threshold: The dollar value at which the state elects for financial reporting purposes to capitalize tangible or intangible assets that are used in state operations for two or more years.
6. Accountability (stewardship) threshold: The dollar value at which the state elects to track asset categories including capital assets, sensitive items, consumable inventories, and supplies in a record-keeping system for accountability and stewardship purposes.

## **POLICY**

1. Each agency must establish and publish departmental policies for accounting for property acquired for use in the workplace and off-site. The policies must restrict the use of the property exclusively for a business-related purpose to demonstrate that its use contributes to the agency's mission. (It is no longer accurate to use the term "Personal Property.") This agency policy will be in addition to the MAPS Operations Policies and Procedures for accounting and financial reporting for various asset categories. At a minimum each agency policy must indicate:
  - a. The specific individual, including their division and unit within the organization, that is responsible for the agency's inventories of all asset categories located in the workplace and off-site. This contact information should be reported to the Department of Finance Financial Reporting Unit annually by June 30.
  - b. The dollar level for each class of goods for all asset categories at which the agency will implement the accountability threshold.
  - c. Procedures for how the agency will actually perform complete physical inventories of capital assets, sensitive items and consumable inventories.
  - d. Procedures for identifying and tracking capital assets, sensitive items, consumable inventories and employee-owned property in the workplace. For uniformity purposes and ease in identification of stolen property, a numbered fixed asset property label purchased from Office Supply Connection (formerly Central Stores) must be affixed to all capital assets. All sensitive items must be identified with an unnumbered fixed asset property label purchased from Office Supply Connection. It is acceptable to affix a numbered fixed asset property label to sensitive items for tracking purposes. Only if it is not possible to attach a numbered fixed asset property label, alternative methods such as engraving must be used. The number assigned on an engraved item must correlate to a numbered fixed asset property label. Agencies must use a record-keeping system that meets all of the requirements set forth in MAPS Operations Policies and Procedures for accounting and financial reporting. Numbered fixed asset property labels must be removed before the assets are disposed of as surplus property so agencies can track 100 percent of the asset numbers assigned to them. Complete and accurate inventory records must be maintained.
  - e. Procedures for conducting complete physical inventories periodically. Complete physical inventories for capital assets and sensitive items must be conducted, at a minimum,

biennially. A complete physical inventory for consumable inventories must be conducted, at a minimum, annually.

- f. Instructions for allowing an employee to use an asset for state use outside the employer's work location. The instructions must include documentation of the employee's name, appropriate management approval, description of the asset assigned to the employee, the asset's main location outside the primary workplace and requirements for returning the asset to the employer's work location.
  - g. Procedures for identifying surplus property available for disposal, sales, trade-ins or exchanges. For all of these, a Property Disposition Request (PDR) form must be completed and submitted to Department of Administration, Materials Management Division, Surplus Services for approval prior to disposal. Surplus Services will indicate the approved disposition method.
  - h. Procedures for implementing and maintaining good internal control that are based upon inventory management requirements, individual fund management requirements, reporting requirements of other funding sources (federal, government bonding agencies), and recommendations that the agency has received from all auditors. The decision as to which controls should be implemented must consider effective control costs/benefits and risk assessments. Guidance on internal control elements including proper authorizations, separation of duties, documentation for audit purposes, access controls and independent checks is found in the MAPS Operations Policy and Procedures 0102-01, *Internal Control for Accounting Processes*.
2. The statewide accountability thresholds are listed below. Agencies can be more restrictive and set accountability thresholds at a lower level.
- a. Land, land improvements and permanent easements – all items in this category must be accounted for regardless of acquisition cost.
  - b. Buildings and Improvements – all items in this category must be accounted for regardless of acquisition cost.
  - c. Construction-in-progress – all items in this category must be accounted for regardless of acquisition cost.
  - d. Equipment – per unit cost including ancillary costs of \$5,000 or more must be accounted for.
  - e. Infrastructure – all costs meeting the capitalization thresholds set by the Department of Finance must be accounted for.
  - f. Works of art, monuments and other historical treasures – per unit cost including ancillary costs of \$5,000 or more must be accounted for.
  - g. Betterments – all items in this category must be accounted for regardless of acquisition cost.
  - h. Sensitive Items – all items in this category must be accounted for regardless of acquisition cost.
  - i. Consumable inventories – all items in this category must be accounted for regardless of acquisition cost.

3. Agencies must follow MAPS Operations Policies and Procedures for capitalization thresholds.
4. Shortly after fiscal year end, each agency must communicate required capital asset financial data to the Department of Finance Financial Reporting Unit for financial reporting purposes.
5. Critical to the success of any inventory property management program is the control environment. All state employees are expected to understand and comply with Minnesota Statutes § 43A.38, *Code of Ethics for Employees in the Executive Branch*, relating to the use of state property. Personnel assigned the responsibility for inventory property management must possess the necessary skills and be sufficiently trained to carry out their responsibilities effectively. Agency executive management must commit resources and support to achieve compliance with these requirements.

## **BACKGROUND**

State agencies acquire inventory property as a normal process of doing business. Responsibility for custody of this property rests with each agency head. The following statute requires the commissioner of administration to establish standards for the inventory of state property.

Minnesota Statute 16B.24, Subd 4, requires:

*Subd. 4. Inspections; appraisals; inventories.*

*The commissioner [of administration] shall provide for the periodic inspection and appraisal of all state property, real and personal, and for current and perpetual inventories of all state property. The commissioner shall require agencies to make reports of the real and personal property in their custody at the intervals and in the form the commissioner considers necessary.*

Agency heads are responsible for the state property acquired by their agencies based on Minnesota Statute 15.06, Subd 6 (3) and (4):

*Subd. 6. General powers of commissioners.*

*Except as otherwise expressly provided by law, a commissioner shall have the following powers:*

- (3) with the approval of the commissioner of administration, to organize the department or agency as deemed advisable in the interest of economy and efficiency; and*
- (4) to prescribe procedures for the internal management of the department or agency to the extent that the procedures do not directly affect the rights of or procedure available to the public.*

Although the above legislation doesn't include MnSCU and certain boards and councils, compliance with this statewide policy is recommended and strongly encouraged.

## **See Also**

- MAPS Operations Policy and Procedures 0102-01, *Internal Control for Accounting Processes*  
<http://www.finance.state.mn.us/agencyapps/mapsdocs/opsman/pdf/01section/0102-01.pdf>
- MAPS Operations Policy and Procedures 0106-00, *Capital Asset Reporting*  
<http://www.finance.state.mn.us/agencyapps/mapsdocs/opsman/pdf/01section/0106-00.pdf>
- MAPS Operations Policy and Procedures 0106-01, *Equipment Reporting*  
<http://www.finance.state.mn.us/agencyapps/mapsdocs/opsman/pdf/01section/0106-01.pdf>
- MAPS Operations Policy and Procedures 0106-02, *Land Reporting*  
<http://www.finance.state.mn.us/agencyapps/mapsdocs/opsman/pdf/01section/0106-02.pdf>
- MAPS Operations Policy and Procedures 0106-03, *Building Reporting*  
<http://www.finance.state.mn.us/agencyapps/mapsdocs/opsman/pdf/01section/0106-03.pdf>
- MAPS Operations Policy and Procedures 0106-04, *Construction-In-Progress*  
<http://www.finance.state.mn.us/agencyapps/mapsdocs/opsman/pdf/01section/0106-04.pdf>
- MAPS Operations Policy and Procedures 0106-05, *Infrastructure Reporting*  
<http://www.finance.state.mn.us/agencyapps/mapsdocs/opsman/pdf/01section/0106-05.pdf>
- A User's Guide to State Personal Property Management  
[www.mmd.admin.state.mn.us/mn03000.htm](http://www.mmd.admin.state.mn.us/mn03000.htm)
- Property Disposition Request form  
[www.mmd.admin.state.mn.us/pdf/pdr.pdf](http://www.mmd.admin.state.mn.us/pdf/pdr.pdf)