STATE OF MINNESOTA PROPERTY MANAGEMENT POLICY AND USER GUIDE

FOR MANAGEMENT OF:

Capital Assets
Sensitive Items
Consumable Inventory
Supplies
Surplus Property
Employee-owned Property in the Workplace
Non-State Property in the Workplace

Issued: Date 05/1/2014

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Section 1 – Introduction

Values of an Effective Property Management Program

This document has been prepared to serve as a management tool for agencies of the State of Minnesota. The purpose is to establish policy and guidance for the efficient and effective use of state property. This document also contains requirements for handling surplus property, auction sales, employee-owned property in the workplace, and non-state property in the workplace.

There are many values to an effective inventory property management program:

- Protecting the state's investment in inventory.
- Optimizing the use of state-owned property through intra-agency and inter-agency surplus property transfers.
- Obtaining the maximum resale price for non-transferable surplus property.
- Promoting reliable information in the state's financial statements by ensuring all asset acquisitions and disposals are recorded accurately.
- Providing an adequate audit trail – an official record that substantiates ownership of all capital assets used in state operations.
- Providing a comprehensive record used as basis for risk management (insurance), preventative maintenance, and capital replacement decisions.
- Proving to underwriters of debt offerings and other creditors that the state has controls in place for effective asset management that contribute to the state maintaining a high bond rating.
- Demonstrating compliance with any grant provisions and/or donor restrictions.
- Serving as the basis for recovering reimbursement of capital asset costs associated with the execution of federal programs.
- Maintaining the public's trust and confidence by demonstrating legitimate use of taxpayer dollars.

This policy and user guide has been prepared in order to comply with Minnesota Statute 16B.04, subd. 2(4) and 16B.24, subd. 4 to provide property management direction to state agencies. The Department of Administration (Admin) is responsible for the direction of an ongoing statewide program for the effective management and control of all inventories. Admin periodically provides guidance on property management and provides assistance, as requested, to state agencies through the Surplus Services Division (phone: 651-639-4022 or e-mail: surplus.services@state.mn.us).

Agency heads are responsible for the state property acquired by their agencies based on Minnesota Statute 15.06, subd. 6(4). Each agency is required to adhere to the property management reporting and accountability policy and may adopt this policy or establish stricter policies. Any exceptions to this policy must be approved in writing by Admin. Agencies must ensure that internal controls are sufficient to provide reliable financial and operational information; comply with policies and procedures, plans, laws, rules and regulations; and assure that assets are safeguarded. Unless required by policy, the user guide is provided as a reference to assist agencies in property management best practices.

The Statewide Integrated Financial Tools (SWIFT) is the state's system of record for all capital assets unless an alternative source is approved by Minnesota Management and Budget (MMB). Agencies must follow SWIFT Asset Management Module processes, unless an exception is approved, to ensure that the assets are appropriately recorded.

Property Management

Definition of Key Personnel

1. **Inventory coordinator/sub-coordinator –** This person knows where the property is located and maintains appropriate property records.
2. **Individual who requested that the property be ordered -** This person ensures that the property gets to the right end-user.
3. **Individual who receives property –** This person ensures that the property is received in the appropriate recordkeeping system as applicable.
4. **Individual who pays vendor invoices –** This person matches the order documentation to the packing slip (or substitute receipt) and vendor invoice prior to making payment. If property is acceptable, and the invoice is approved for payment, this individual can process payment to the vendor on a timely basis.

Agency Staffing For Property Management

Critical to the success of any property management program is the control environment. 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 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.

State agencies must emphasize the importance of effective inventory management in their policy and procedure, and designate a minimum of one person as the agency inventory coordinator. It is advisable for larger agencies to appoint sub-coordinators for each major activity or division.

In addition, for financial reporting purposes, agencies are required annually to report accurate, complete, and timely capital asset information to MMB pursuant to Statewide Financial and MAPS policies related to capital asset reporting.

Inventory coordinator/sub-coordinator responsibilities include, but are not limited to:

1. Designing and preparing written documentation for agency/division property procedures as necessary.
2. Verifying that all purchases of property are accounted for and recorded as appropriate.
3. Ensuring that capital asset property is marked with a numbered asset label and that sensitive items are tagged as appropriate.
4. Monitoring the accuracy and the completeness of all inventories. A complete physical inventory (e.g., a wall-to-wall inventory count) 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.
5. Safeguarding the property assigned to state employees to carry out their operations by training personnel who are involved in property management for the agency.
6. Arranging for the proper disposal of property that is surplus to the agency's needs and removing property from SWIFT or other approved recordkeeping systems.

Section 2 – Property Management Reporting and Accountability Policy

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PROPERTY MANAGEMENT REPORTING AND ACCOUNTABILITY POLICY

Issue Date: May 1, 2014

Objective

The following statute requires the commissioner of administration to establish standards for the inventory of state property.

Minnesota Statute 16B.24 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. 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.

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. Guidance is available for agencies to use for implementing this policy and is contained in the *State of Minnesota Property Management Policy and User's Guide.*

DEFINITIONS

Agencies are required to track state property for both stewardship and financial reporting purposes. Separate thresholds are established for these reporting requirements.

1. 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 recordkeeping system for accountability and stewardship purposes.
2. 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. MMB's Statewide Financial and MAPS policies establish the dollar values for reporting capital assets.

State agencies must follow the statewide **accountability thresholds** as defined below:

1. Capital Assets: These items have a normal useful life expectancy exceeding two years, and maintains its identity while in use.
    - Land – all land purchased or otherwise acquired by the state.
    - Buildings – all buildings regardless of acquisition cost.
    - Equipment/Tangible property – defined as property that does not lose its identity when removed from its location and has a useful life of two or more years with an acquisition cost of $5,000 or more.
    - Infrastructure - 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 consistent with the Statewide Financial and MAPS policies.
    - Art and Historical Treasures – Any painting, sculpture, monuments, or antiquity, etc. with an acquisition cost of $5,000 or more.
    - Purchased Software – as defined by Statewide Financial and MAPS policies with an acquisition cost of $30,000 or more.

2. Sensitive items: These are items that are generally for individual use, or that could be easily sold and are most often subject to pilferage or misuse. Sensitive items are:
    - firearms and other weapons;
    - computers (desktop, tablets, and laptops) including network servers;
    - portable printers, scanners, projectors;
    - cellular/smartphones and personal digital assistants (PDA);
    - software for internal use with an acquisition cost over $5,000 and less than $30,000; and
    - cameras, televisions, and other video equipment with an acquisition cost over $500; and less than $5,000.

3. Consumable inventories: Items purchased by an agency for (a) reissue/reuse/resale which the agency controls as parts of its ongoing operations (e.g., controlled substances, ammunition, construction materials, bulk fuel, hardware items, maintenance parts, 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 or processed materials (e.g., work-in-process, finished goods).

4. Supplies: Items purchased by an agency and used immediately or within a reasonable period of time after they are acquired (e.g., office supplies, or instructional materials and supplies that are used up as part of a class or training activity).

5. Surplus Property: Any state-owned property with utility or monetary value including capital assets, sensitive items, commodities, equipment, materials, supplies, buildings, and other property, that is obsolete, unused, not needed for a public purpose, or ineffective for current use.

POLICY

Each agency must commit the resources necessary to follow the Property Management Reporting and Accountability Policy. This policy defines the accountability threshold and management of state property. State agencies must designate a minimum of one person as the agency inventory coordinator. Larger agencies may appoint sub-coordinators for each major activity or division. Stricter policies may be established by agencies for accountability of property management. MMB establishes the Statewide Financial and MAPS policies for determining capitalization thresholds for the various asset categories.

Use of State Property – Essential Internal Controls
The use of state property must be restricted exclusively for a business-related purpose unless authorized by the Statewide policy: Appropriate Use of Electronic Communication and Technology.

Good internal controls must be in place in accordance with Statewide Financial and MAPS Policy relating to Internal Controls. An effective system of internal controls will increase the state's operational effectiveness and efficiency, safeguard public funds, ensure compliance with state and federal laws, rules, and regulations, and minimize instances of fraud, waste, and abuse. Agencies should ensure adequate separation of duties exists or implement compensating controls.

Agencies must establish a Code of Conduct Policy and Procedure as required by Statewide Financial and MAPS Policy 0103-01, Code of Conduct. 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 Statute 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.

Misuse of state property must be reported to agency inventory coordinator, Human Resources Division Director, Office of Legislative Auditor, and the appropriate manager/supervisor for possible disciplinary action. Thefts, embezzlement, or unlawful use of property must be reported in writing to the Legislative Auditor per Minnesota Statute 609.456 and MMB's Statewide Financial and MAPS Procedure 0103-01.1 Code of Conduct.

State Property Recordkeeping
For uniformity purposes and ease in identification of stolen property, a numbered state asset property label must be affixed to all capital assets when feasible. If it is not possible to attach a numbered state asset property label, alternative methods must be used. All sensitive items should be identified with an unnumbered state asset property label. It is acceptable to affix a numbered state asset property label to sensitive items for tracking purposes. All state asset property labels must be removed before the assets are disposed.

Agencies must follow the statewide accountability thresholds as defined in this policy and can be more restrictive.

Statewide Integrated Financial Tools (SWIFT) is the state's system of record for all capital assets unless and alternative record-keeping system has been approved by MMB. Complete and accurate inventory records must be maintained.

Agencies must conduct 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.

The General Records Retentions Schedule for State Agencies - State Property Management must be followed. The schedule is posted at http://mn.gov/admin/government/surplus-property/resources, listed under the Policies and Guidelines tab.

A *Stolen, Lost, Damaged or Recovered Property Report* must be completed when capital assets or sensitive items are stolen, lost, recovered, or found regardless of whether the property was located at the work site or off-site. Stolen or lost consumable inventory and supplies should be completed if the agency determines that the value of the items is sufficient to report. The reporting of damaged property is required only for capital assets over $30,000. The following requirements must be followed for stolen, lost, damaged, or recovered property:

- Notify the agency's data practices compliance official immediately if the lost or stolen property contains private or non-public data.
- Report the theft or suspected theft to the Department of Public Safety's Capitol Complex Security Division or local law enforcement if the property cannot be found within five business days.
- Notify the agency's inventory coordinator and claims officer when appropriate. If the property is insured, contact the Department of Administration's Risk Management Division claims manager.
- Consider the property stolen, if an employee fails to return property within a reasonable time frame, generally five business days, following the request of management or the employee's separation from state service. The agency's Human Resources Division Director must be notified.
- Complete and submit copies of the Stolen, Lost, Damaged or Recovered Property Report within 30 days after property is identified as stolen, lost, or recovered to Surplus Services and the Legislative Auditor's Office. Minnesota Statute 609.456, subd. 2 requires prompt reporting in writing thefts, embezzlement, or unlawful use of property to the Legislative Auditor.
- Complete and submit the *Stolen, Lost, Damaged or Recovered Property Report* if the property is recovered to the agency's Human Resources Division Director, Surplus Services and the Legislative Auditor's Office. Agencies should notify Capitol Complex Security or local law enforcement authorities that the property has been recovered. In addition, determine whether the capital asset was covered by insurance. If so, contact Admin Risk Management to determine proper disposition of the property. If the recovered property is not usable, follow the procedures for disposal of state surplus property.
- Update recordkeeping system as appropriate.

State property used outside the workplace.
The employee's manager/supervisor must authorize the use of capital assets or sensitive items outside of the agency-defined workplace. A signed agreement or inventory tracking system must be in place for state-owned capital assets or sensitive items used outside of the agency-defined workplace. Employees with a need to use state-owned capital assets or sensitive items outside of the agency-defined work place, must be informed of the conditions for possession of the property, acceptable uses, and a requirement to return it when no longer needed for work-related use, when they depart from the division/agency, or when requested. Signed agreements must be kept on file or an inventory tracking system maintained by the approving manager/supervisor or inventory coordinator/sub-coordinator.

- State property used outside the work place must be used in accordance with statutes Minnesota Statute 16B.55 which specifies permitted and prohibited uses of state vehicles. Also, Minnesota Statute 43A.38 states that inappropriate use of state property is a violation of the Code of Ethics for Employees in the Executive Branch. Agencies allowing individuals to take state-owned property outside the workplace which contains private or non-public data must ensure that appropriate procedures are in place to prevent unauthorized access to the private or non-public data.
- Documentation must include data indicating what state-owned property is used outside the workplace and by whom (employee name, or consultant name and contract number).
- Contractors may be permitted to use state-owned property off-site provided that their agreement with the state identifies the state-owned property, requires that the state-owned property be returned to the state per the contract terms, or upon the termination/expiration of the contract. Contract terms must state that inappropriate use of such state-owned property is prohibited.

Disposal of State Property

A *Property Disposition Request* (PDR) form must be completed for surplus property retaining utility or monetary value that is available for disposal. The form must be submitted to Department of Administration, Surplus Services Division for approval prior to disposal. Surplus Services will authorize the approved disposition method. Agencies must follow the procedures outlined in the State of Minnesota Property Management Policy and User Guide for conducting sealed bid sales or pre-priced sales unless otherwise instructed by Surplus Services. Building sales must follow the process outlined in the State of Minnesota Property Management Policy and User Guide.

Any liens against property must be satisfied before the property can be considered surplus. Surplus property must be disposed of in accordance with state, federal, and local ecological along with environmental regulations. The procedures in MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard must be followed when disposing of items containing private or non-public data.

Personal Property in the Workplace

The State Employee's Personal Property form should be completed by the employee when an employee brings employee-owned property into the workplace which will be removed upon departure from the workplace. The employee is responsible for removing their personal property from the workplace.

Section 3 – Property Management User Guide

PROPERTY MANAGEMENT USER GUIDE

The Property Management User Guide provides guidelines for implementing the Property Management Reporting and Accountability Policy. Unless required by policy, agencies may follow the guidance below for the management and control of capital assets, sensitive items, consumable inventory, supplies, employee-owned property in the workplace, and non-state property in the workplace.

This user guide is formatted by sections as agencies may assign different individuals to perform these duties.

Section 4 – Capital Assets

I. General Information

A. Definition of Capital Assets for Accountability Thresholds

1. Capital Assets: These items have a normal useful life expectancy exceeding two years, and maintains its identity while in use.
   - Land – all land purchased or otherwise acquired by the state.
   - Buildings – all buildings regardless of acquisition cost.
   - Equipment/Tangible property – defined as property that does not lose its identity when removed from its location and has a useful life of two or more years with an acquisition cost of $5,000 or more.
   - Infrastructure - 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 consistent with the Statewide Financial and MAPS policies.
   - Art and Historical Treasures – Any painting, sculpture, monuments, or antiquity, etc. with an acquisition cost of $5,000 or more.
   - Purchased Software – as defined by Statewide Financial and MAPS policies with an acquisition cost of $30,000 or more.

II. Guidelines for Management and Control of Capital Assets

A. Acquisition of Capital Assets

Capital assets can be acquired by any of the following methods:

1. Purchased directly from a vendor within parameters of one's local purchase authority or through the Department of Administration's Materials Management Division.
2. Purchased under an installment plan or leased with the option to buy.
3. Identified as a component of another asset that maintains a separate identity, e.g., a snowplow blade. These are components that can be re-installed when the original asset is disposed of.
4. Donated. These assets are recorded at their estimated fair market value at the time of receipt.
5. Confiscated. These assets (items seized as a penalty) are recorded at their estimated fair market value at the time of receipt that are kept for agency use, as allowed by statute.
6. Transferred-in from another agency or acquired from the federal government. These assets are treated as any other purchase if they meet the above criteria at the time the assets were initially acquired by the agency.
7. Manufactured or constructed by the agency for internal use.
8. Located during a physical inventory and meet the criteria of a capital asset, but are not reported on the capital asset record management system. These assets should be added to the system at their actual cost, as recorded on the original acquisition documents. If the original acquisition documents cannot be located, the assets should be added to the system at their estimated fair market value at the time of the physical inventory.
9. Identified as appreciable assets with a value of $5,000, such as antiques or art objects.
10. Acquired for resale and then later kept for agency use, if they met the above criteria for a capital asset at the time of acquisition.

B. General Procedures For Capital Asset Number Assignment

1. Asset numbers are required in SWIFT for all capital assets.
2. Numbered property labels can be purchased from MINNCOR Industries. A supply should be kept on hand by the person responsible for capital assets.
3. The numbered property label can be entered into the SWIFT Asset Management module.
4. Engraving can also be done identifying the capital asset number and that the property belongs to the State of Minnesota.

C. Procedures For Receiving Capital Assets

1. Receiving Capital Assets

a. From Vendors

1) Upon receipt of the capital asset, the person responsible for receiving should examine the shipping container for external damage. If the shipping container is damaged, refer to "Damaged Shipping Container/Damaged Capital Asset" in the "Handling Unusual Situations" section that follows.
2) Open the shipping container and inspect the capital asset received. If the capital asset is damaged, refer to the "Damaged Shipping Container/Damaged Capital Asset" in the "Handling Unusual Situations" section that follows.
3) Search for the packing slip. Compare the capital asset received to the item shipped as reported on the packing slip and note the items received. Sign and date the packing slip. If the vendor did not provide a packing slip, prepare a substitute receipt indicating the items received, and sign and date this document.
4) Keep the capital asset in a secure area, not in an open receiving dock area, to safeguard the capital asset until it can be delivered to the appropriate location.
5) Deliver the capital asset to its intended location or to the person who requested that the capital asset be ordered.
6) If acceptance testing is necessary, have the person performing the testing and putting the capital asset into operation sign the packing slip (or substitute receipt) if the capital asset is in acceptable condition for use. If the capital asset is unacceptable, refer to the "Handling Unusual Situations" section that follows.
7) Provide a copy of the packing slip (or substitute receipt) to the agency inventory coordinator/sub-coordinator as soon as new capital assets are inspected and found to be acceptable.
8) Follow procedures for receiving assets in SWIFT or other approved recordkeeping systems. Additional information can be found in the SWIFT Asset Management Quick Reference Guides.
9) Submit the original packing slip (or substitute receipt) to the person responsible for making invoice payments.

b. From Donors

1) Follow the gift and acceptance policy for the agency, and/or Statewide Financial and MAPS Policy - MAPS Operating Policy and Procedure 0602-12, Gift Acceptance.

2) Follow procedures 1 through 8 in the section above.
3) Submit the original packing slip (or substitute receipt) to the person responsible for acknowledging acceptance of the donated capital asset.

c. Through an Intra-Agency Transfer – Refer to procedures on page 4-5 of this section.

d. Through an Inter-Agency Transfer – Refer to procedures on pages 4-5 to 4-6 of this section.

2. Handling Unusual Situations

a. Damaged Shipping Container/Damaged Capital Assets

1) If there is evidence of external damage, an actual inspection of the capital asset should be made in the presence of the carrier.
2) If the actual inspection of the capital asset cannot be done, the driver should be required to note that the container was damaged on the agency copy of the packing slip (or substitute receipt), along with the current date and the driver's signature.
3) If, upon actual inspection, the capital asset is damaged, a claim for damage should be submitted to the carrier or the vendor as soon as possible.
4) Note on the packing slip (or substitute receipt) that the capital asset was damaged, and sign and date the packing slip. Send a copy of the original packing slip (or substitute receipt) to the person who requested the capital asset or the agency buyer.
5) The person who requested the capital asset or the buyer should follow-up on the claim by working with the vendor until the claim is resolved.
6) Send the original packing slip (or substitute receipt) to the person who processes invoice payments so that the person knows the vendor should not be paid.
7) A vendor performance report should be sent to MMD-Vendor Management as appropriate.

b. Partial Shipments

1) Follow the procedures for receiving capital assets in 1.a.1) through 1.a.9) above.
2) The person who requested that the capital asset be ordered should follow-up on partial shipments. Discrepancies between provisions of the purchase order and the capital asset received should be resolved by contacting the vendor as soon as possible.
3) Follow-up on unshipped capital asset ordered until it is received or the order needs to be canceled.
4) Cancel the remainder of order if the vendor cannot provide the ordered capital asset when needed.

c. Fiscal-Year-End Acquisitions

1) Be sure that the date the capital asset is received is clearly indicated on the packing slip (or substitute receipt).
2) When making the payment, the transaction must be reported in the correct fiscal year which is the fiscal year when the capital asset was received.
3) If the capital asset acquired on or before June 30 cannot be paid prior to the statewide accounting system's fiscal year end close, follow MMB's annual close instructions for coding the payment to the correct accounting period.

d. Capital Asset Delivered to Wrong Address

1) Contact the carrier or postmaster to deliver the capital asset to the correct address or to return the capital asset to the sender.

e. Wrong Capital Asset Delivered

1) Notify the vendor immediately that wrong capital asset was delivered.
2) Make necessary arrangements with the vendor for the return of the wrong capital asset and delivery of the capital asset ordered. Authorization may be required to return the capital asset to the vendor.
3) Return the capital asset following the vendor's instructions.
4) Provide "return" documentation to the person making invoice payments so that individual does not pay the invoice.

f. Unacceptable Acceptance Testing

1) Notify the vendor immediately that the capital asset did not pass acceptance testing.
2) Make necessary arrangements with the vendor to resolve the problems or to return the unacceptable capital asset. Authorization may be required to return the capital asset to the vendor.
3) Return the capital asset following the vendor's instructions, if applicable.
4) Provide "return" documentation to the person making invoice payments so that individual does not pay the invoice.

3. Marking Capital Assets Upon Delivery

a. To protect the agency's investment, capital assets should be marked with a numbered asset label as soon as they are received and found acceptable.
b. Whenever possible, capital assets should be marked in a place clearly visible from a position in front of the capital asset. This will facilitate identification of a capital asset during a physical inventory or an inventory spot check. Establishing an agency standard for capital asset label location for like capital assets will assist the inventory coordinator/sub-coordinator when the capital asset label is not clearly visible.
c. Alternate methods of marking capital assets, such as permanent engraving, stenciling, or painting, should be considered when the numbered asset label is inappropriate. For example, a numbered asset label may not adhere to equipment such as commercial kitchen equipment that is subject to high heat and cleaning by a high-pressure hose. Industrial shop equipment may also fall into this category.
d. There are also situations in which it is not feasible to affix a numbered asset label or use an alternate method to mark the capital asset. A separate file should be maintained for these capital assets. The file should contain the numbered asset label, a complete description of the capital asset, and the location of the capital asset.
e. All ownership identification must be removed when a capital asset is no longer owned by the state.

4. Reporting Requirements

a. SWIFT is the state's system of record, unless an alternative system is approved by MMB.

5. Agency Location Information

a. Agency location should be reported for each capital asset in the recordkeeping system.
b. A location code schematic might be designed for any agency that occupies more than a few rooms. A floor plan of the agency is a useful tool in planning this design. This schematic can be as simple or elaborate as required by the agency. To be effective, a location code schematic should permit easy location of any capital asset.

6. Disposal of State Surplus Property

a. When it has been determined that state property is surplus to one location or division within the agency, the inventory coordinator/sub-coordinator should try to find potential users at other locations or divisions within the agency. See Intra-Agency Transfer of Capital Assets below.
b. If there are no potential users within the agency, the inventory coordinator/sub-coordinator should try to find potential users in other state agencies or contact Surplus Services. See Inter-Agency Transfer of Capital Assets on page 4-6.
c. If the agency can no longer use the capital asset and no other potential users within the state have been identified, the inventory coordinator/sub-coordinator should complete a *Property Disposition Request* form and submit it to the Department of Administration's Surplus Services Division.
d. Surplus Services will assign a control number and sign the form and return a copy to the agency. Surplus Services may either approve the agency's recommended disposition of the property or authorize an alternate method of disposal. Methods of disposal include transfer to another state agency, transfer or sale to another unit of government or eligible non-profit organization, sale by sealed bid, sale by auction, negotiated sale, or scrap.
e. The inventory coordinator/sub-coordinator is responsible for removing all State of Minnesota ownership identification from the capital asset that is no longer owned by the state and ensuring that the capital asset disposition is reported in the recordkeeping system.
f. All computers declared surplus must have data removed from their hard drives in accordance with MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard - http://mn.gov/oet/images/SEC_S_Information_Sanitization_and_Destruction.pdf.

7. Intra-Agency Transfer of Capital Assets

a. Agencies must complete the Intra-Agency Transfer form (See section 10) or a similar internal inter-agency transfer document for reporting movement of capital assets within the agency. This documentation must be maintained by the agency.
b. The procedures in MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard - http://mn.gov/oet/images/SEC_S_Information_Sanitization_and_Destruction.pdf must be followed when items contain private or non-public data.
c. Location information in the recordkeeping system should be updated as the movement or transfer of capital assets is reported.
d. It is not necessary to submit a *Property Disposition Request* form when transferring capital assets between divisions within the agency.

8. Inter-Agency Transfer of Capital Assets (Movement of Capital Assets Between State Agencies)

a. The procedures in MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard http://mn.gov/oet/images/SEC_S_Information_Sanitization_and_Destruction.pdf must be followed when items contain private or non-public data.
b. To transfer surplus capital assets to another state agency, prepare a *Property Disposition Request* form, and submit it to Surplus Services for review and approval. This form is available at http://mn.gov/admin/government/surplus-property/forms/ . A copy of the form with an approval number and signature will be returned to the agency if the transfer is approved. If the transfer is not approved, the form will be returned to the agency with authorization and instructions for disposal of the surplus property.
c. The inventory coordinator/sub-coordinator is responsible for ensuring that the capital asset disposition is reported in the recordkeeping system.

9. Utilization of Federally-Funded Capital Assets

a. Additional requirements may be required for federally-funded capital assets. State agencies must be in compliance with all state and federal requirements.
b. Disposal of federally-owned capital assets or capital assets purchased with federal funds must follow any applicable federal procedures. If there are no defined federal procedures, the state procedures must be followed.

III. Capital Asset Inventory

A. Definition of a Physical Inventory

A "physical inventory" is physically counting capital assets. The State of Minnesota goes beyond this basic definition. In the State of Minnesota, physical inventory is the act of accounting for, and the accurate verification of, information on file for each piece of state-owned capital asset property. In this accounting and verification process, emphasis is placed on the following aspects pertaining to each item:

1. Physically locating the capital assets maintained on the recordkeeping system, for the specific agency or activity.
2. Verifying that the location information on file for the capital asset is accurate.
3. Verifying the accurate numbering of capital assets and that the asset numbers are legible.
4. Verifying that each capital asset in existence is reported in the recordkeeping system.
5. Verifying that the capital asset description is accurate.
6. Verifying that the capital asset is in good condition for use. If the capital asset is not in good condition, identify if it needs repairs or additional maintenance (e.g., cleaning) and report this to the appropriate personnel for action.
7. Verifying that the capital asset is being used. If the capital asset is not being used, determine whether it is surplus to the agency's needs or obsolete and dispose of appropriately.

B. Physical Inventory Mandated Biennially For Capital Assets

A complete physical inventory (e.g., a wall-to-wall inventory count) for capital assets must be conducted, at a minimum, biennially. This is essential to ensure that accurate and complete financial information is included in the state's comprehensive annual financial report.

C. Other Conditions that may require a Physical Inventory

If one of the following conditions occurs, a physical inventory should be completed.

1. Failure of a capital asset inventory audit conducted within the agency or by an outside agency. If an audit is performed and a minimum inventory accuracy level of 95 percent is not achieved.
2. If a physical inventory was conducted within the last two years and a specific area's accuracy level was below 95 percent, a physical inventory of that area should occur every six months until the acceptable 95 percent accuracy level is achieved and maintained for at least one year.
3. A physical inventory should be taken whenever the person acting as inventory coordinator/sub-coordinator is changed. The new individual in that position should conduct a physical inventory to verify the accuracy of the inventory information. The new inventory coordinator/sub-coordinator should correct discrepancies immediately and start from a base that is accurate.

D. Planning and Scheduling the Physical Inventory

1. Plan how the physical inventory will be performed. The inventory can be performed by building, areas within the building, and activities within an agency.
2. Decide who will perform the physical inventory. The physical inventory should be performed by properly trained teams made up of agency personnel. To ensure an adequate separation of duties for internal control purposes, it is essential that the persons taking the physical inventory counts are not the same individuals responsible for reporting activity (e.g., acquisitions and dispositions) in the capital assets recordkeeping system, unless others are involved.
3. Determine when the physical inventory should be conducted. Consideration should be given to whether personnel will be on site to open locked desks and cabinets.
4. Prepare a realistic schedule for the physical inventory, including a start date, date the initial search is expected to be completed, start date of the verification process, completion date of the verification process, and physical inventory completion date.
5. Prepare a memo explaining the physical inventory process and soliciting cooperation. Send this memo to all impacted agency personnel.
6. Obtain all supplies necessary for the physical inventory and begin the process. Necessary supplies include paper, pens, asset property labels (numbered and unnumbered), a current agency location scheme, and a current master listing of capital assets by location. A small hand mirror is a helpful tool to see asset numbers attached to the back of equipment.

E. Conducting and Reconciling the Physical Inventory

1. Conduct the inventory in two ways. Count (1) record to capital asset and (2) capital asset to record.
2. When conducting a complete physical inventory, it is most effective to enter an area with a blank form (or agency designed report form) and write down the information for each capital asset. This procedure, as opposed to entering the area with a list of capital assets to be located, will help ensure that all capital assets in the area are accounted for. The information recorded should include, but is not limited to, the asset number, description, location, profile id, and condition. When appropriate, the serial number and model number should be included.
3. Next, the information collected is compared to the capital asset master listing. When an agency has multiple locations, it is preferable to sort this list in location order/asset number order.
4. When discrepancies are found, they should be resolved immediately. It may be necessary to return to the location and conduct a complete search for the missing capital assets. It may be necessary to interview employees in the area to determine the disposition of missing capital assets. The original purchase orders for the missing capital assets may provide helpful information in order to locate the capital asset. If the capital asset cannot be found, see Section IV, Stolen, Lost, Damaged, or Recovered Capital Asset.
5. All discrepancies must be corrected in the recordkeeping system. All capital assets found with illegible numbers must be re-numbered. If capital assets are found without asset numbers, the

inventory coordinator/sub-coordinator must search the recordkeeping system and/or purchase order to determine the appropriate asset number that was assigned to the capital asset. The appropriate asset number must be marked on the asset as appropriate.

6. If during the complete physical inventory, you see that the capital asset is not being used, bring this to the attention of the inventory coordinator/sub-coordinator who will determine whether the capital asset is surplus to the agency's needs or obsolete and dispose of appropriately.
7. If during the complete physical inventory, a capital asset is found in need of repair, bring this to the attention of the inventory coordinator/sub-coordinator who can take the appropriate action to repair the capital asset or follow procedures for disposal.
8. An alternative to the complete physical inventory is to conduct cycle counts of the capital asset inventory. For example, to conduct a complete physical inventory in one year, the agency can be divided into 12 roughly equal areas. A complete physical inventory can be conducted and reconciled in a different area each month. After 12 months, the entire agency will have been inventoried. If the agency experiences many movements of capital assets, this method may require reconciliations each month.

F. Capital Asset Spot Checks

1. Spot checks are an effective tool for maintaining inventory accuracy. If a specific area of the agency has consistently demonstrated a high level of inventory accuracy, one spot check between physical inventories will help keep the accuracy level high. If an area of the agency had a poor inventory accuracy level resulting from a physical inventory, spot checks should be conducted frequently in the interim until a complete physical inventory of the area has established a satisfactory accuracy level. Large agencies may wish to check a specific number of buildings or floors each month. The areas checked should be scheduled randomly.
2. When selecting capital assets to be sampled for specific locations within the agency, the following sample size chart may be utilized.

SPOT CHECK CHART

Assets in the Area	Minimum Sample Size
1-20	All
21-50	10
51-100	15
101-200	20
201-500	25
501 or more	50

3. When spot checking the entire agency, the following sample size chart may be utilized:

CAPITAL ASSET SPOT CHECK SAMPLE SIZE

Number of Assets	Minimum Sample Size
1-79	15
80-200	20
201-300	25
301-400	30
401-600	35
601-800	40
801-1000	45
1001-2000	50
2001-4000	75
4001 or more	100

4. To determine which capital assets will be in the sample for the spot check, divide the total number of

capital assets by the sample size. For example, 800 total capital assets divided by sample size of 40 equals 20, every twentieth capital asset will be selected. To choose where to start selecting capital assets for the spot check from the recordkeeping system, randomly select one capital asset out of the first 20 listed in the system. This is the first capital asset for the spot check. The remaining capital assets for the spot checks are every 20th capital asset thereafter. An alternative to this approach is to select the capital assets for the spot check using a random number table or use the internet to generate a random number sequence (e.g., http://www.random.org).

5. Preparations for a spot check should be similar to the planning and scheduling for the complete physical inventory.
6. The spot check procedure should be similar to conducting and reconciling the physical inventory.
7. If a capital asset cannot be located in a reasonable length of time, it is considered "not found" for reporting purposes.
8. After the spot check procedure has been completed, a report should be prepared giving the accuracy level and discrepancies discovered in the area. Discrepancies include capital assets that were "not found", unmarked capital assets, illegible asset numbers, incorrect locations, and incorrect profile ids. An accuracy level of 95 percent and above is considered acceptable. Areas that fall below 95 percent accuracy should have a complete physical inventory scheduled.
9. All capital assets found with illegible numbers must be re-numbered. If capital assets are found without asset numbers, the inventory coordinator/sub-coordinator must search the recordkeeping system and/or purchase order to determine the appropriate asset number that was assigned to the capital asset. The asset number must be marked on the capital asset as appropriate.
10. All discrepancies must be corrected immediately in the recordkeeping system. Refer to the Stolen, Lost, Damaged, or Recovered Capital Assets section below for procedures to follow when capital assets are "not found".

IV. Stolen, Lost, Damaged or Recovered Capital Assets

A. A *Stolen, Lost, Damaged or Recovered Property Report* must be completed under the following circumstances regardless of whether the capital asset was located at the work site or off-site (e.g., employee has authorization to use the capital asset at the employee's residence):
   1. Capital asset is stolen.
   2. Capital asset is lost.
   3. Capital asset is damaged. (Required for capital assets over $30,000.)
   4. Stolen capital asset is recovered.
   5. Lost capital asset is found.

B. If the lost or stolen sensitive item contains private or non-public data, notify the agency's data practices compliance official immediately

C. Appropriate action should be taken immediately to locate the capital asset if lost or stolen.

D. If these actions fail to locate the capital asset within a reasonable time frame, but no longer than five business days, the loss, theft or suspected theft within the Capitol Complex area must be reported to the Department of Public Safety's Capitol Complex Security Division. A theft or suspected theft outside the Capitol Complex area should be report to local law enforcement authorities. Inventory coordinators/sub-coordinators should follow up with these authorities to ensure action has been taken to recover the capital asset.

E. A copy of the *Stolen, Lost, Damaged or Recovered Property Report* must be submitted to the agency's inventory coordinator/sub-coordinator.

F. Notify the agency's claim officer and/or the Department of Administration's Risk Management Division claims manager of any lost, stolen, damaged, or recovered capital assets. The claims manager will check agency capital asset coverage for lost, stolen or damaged capital assets. If the agency has no insurance coverage or the deductible is higher than the value of the capital asset, then

the agency must absorb the loss from its operating budget if it chooses to replace the capital asset.

G. If an employee fails to return a capital asset to the state within a reasonable time frame, generally 5 business days, following the request of management for the capital asset or upon the employee's separation from state service, the capital asset is considered stolen. The employee's manager/supervisor must take appropriate action for stolen capital assets as noted above. The employee's manager/supervisor must also report the incident immediately to the agency Human Resources Division Director for possible disciplinary action, for recording in the employee's personnel file, and for possible reduction of employee's final pay.

H. After an extensive search has failed to result in the recovery of the stolen or lost capital asset, within 30 days submit a copy of the *Stolen, Lost, Damaged or Recovered Property Report* to the agency's Human Resources Division Director, Surplus Services and the Legislative Auditor's Office (Minnesota Statutes 609.456, subd. 2 requires reporting in writing thefts or unlawful use of property to the Legislative Auditor).

I. Damaged capital assets and lost or stolen capital assets that are not recovered must be recorded in the recordkeeping system.

J. If a capital asset is recovered, complete and submit the *Stolen, Lost, Damaged or Recovered Property Report* to the agency's Human Resources Division Director, Surplus Services and the Legislative Auditor's Office. Agencies should notify Capitol Complex Security or local law enforcement authorities that the property has been recovered. In addition, determine whether the capital asset was covered by insurance. If so, contact Admin Risk Management to determine proper disposition of the property. If the capital asset was not covered by insurance and is still usable, record the information in the agency capital asset in the recordkeeping system. If the recovered property is not usable, follow the procedures for disposal of state surplus property.

V. Misuse of Capital Assets

A. Any employee misuse of a capital asset may be subject to disciplinary action, up to and including termination.

B. Examples of misuse of a capital asset include, but are not limited to, the following actions:
   1. theft,
   2. damage with willful intent,
   3. destruction with willful intent,
   4. use of the capital asset for personal gain,
   5. permitting other individuals to use the capital asset for non-state purposes,
   6. non-return of a capital asset when requested,
   7. permitting an outside consultant to use the capital asset without a contract term allowing them to use the capital asset, or
   8. inappropriate use.

C. When misuse of a capital asset is suspected, it should be reported immediately to the agency inventory coordinator/sub-coordinator, the Human Resources Division Director, and the appropriate manager/supervisor.

VI. Capital Assets Used Outside the Workplace

A. A signed agreement or inventory tracking system must be in place for state-owned capital assets used outside of the agency-defined workplace. Employees that have a need to take a state-owned capital asset out of the workplace should have a signed agreement. This agreement must address the conditions for their possession of the capital asset, acceptable uses, and a requirement to return it

when no longer needed for work-related use, when they depart from the division, or when requested. The employee's manager/supervisor must review and approve this agreement. Signed agreements must be kept on file. If there is no signed agreement, the agency must ensure that the employee is informed of the appropriate use of the capital asset and the requirement to return it when no longer needed for work-related use. A sample agreement is provided in the Forms Section (Section 10).

B. Agencies allowing individuals to take state-owned property outside the workplace which contains private or non-public data must ensure that appropriate procedures are in place to prevent unauthorized access to the private or non-public data.
C. An employee's use of state property outside the workplace should be consistent, if applicable, with the statewide telecommuting policy and the employee's agency telecommuting policy.
D. The recordkeeping system must include data indicating what capital assets are used outside the workplace and by whom (employee name, or consultant name and contract number).
E. Certain statutes address state employee use of state property. Minnesota Statute 16B.55 specifies permitted and prohibited uses of state vehicles. Also, Minnesota Statute 43A.38 states that inappropriate use of state property is a violation of the Code of Ethics for Employees in the Executive Branch. Examples of inappropriate use of capital assets outside the workplace include, but are not limited to the following:
    1. using the capital asset for personal use without express statutory authority (e.g., using a state vehicle to transport family members or conduct personal business),
    2. giving the capital asset to the employee as a gift or transferring ownership of the capital asset to the employee outside of public sale, or
    3. permitting non-state employee use, including consultants without contractual provisions which allow off-site use of capital assets.
F. Contractors may be permitted to use capital assets off-site provided that their agreement with the state identifies the capital asset, requires that the capital asset be returned to the state upon termination of the contract, and states that inappropriate use of such capital asset is prohibited.

Section 5 - Sensitive Items

I. General Information

A. Definition of Sensitive Item

These are items that are generally for individual use, or that could be easily sold and are most often subject to pilferage or misuse. Sensitive items are:

- firearms and other weapons;
- computers (desktop, tablets, and laptops) including network servers;
- Portable printers, scanners, projectors;
- cellular/smartphones and personal digital assistants (PDA);
- software for internal use with an acquisition cost over $5,000 and less than $30,000; and cameras, televisions, and other video equipment with an acquisition cost over $500 and less than $5,000.

II. Management and Control of Sensitive Items

A. Procedures For Receiving Sensitive Items

1. Receiving Sensitive Items

a. From Vendors

1) Upon receipt of the sensitive item, the person responsible for receiving should examine the shipping container for external damage. If the shipping container is damaged, refer to "Damaged Shipping Container/Damaged Sensitive Items" in the "Handling Unusual Situations" section that follows.
2) Open the shipping container and inspect the sensitive item received. If the sensitive item is damaged, refer to the "Damaged Shipping Container/Damaged Sensitive Items" in the "Handling Unusual Situations" section that follows.
3) Search for the packing slip. Compare the sensitive items received to the items shipped as reported on the packing slip and note the items received. Sign and date the packing slip. If the vendor did not provide a packing slip, prepare a substitute receipt indicating the items received, and sign and date this document.
4) Keep the sensitive items in a secure area, not in an open receiving dock area, to safeguard the sensitive items until they can be delivered to the appropriate location.
5) Deliver the sensitive items to its intended location or to the person who requested that the sensitive item be ordered.
6) If acceptance testing is necessary, have the person putting the sensitive item into operation sign the packing slip (or substitute receipt) if the sensitive item is in acceptable condition for use. If the sensitive item is unacceptable, refer to the "Handling Unusual Situations" section that follows.
7) Provide a copy of the packing slip (or substitute receipt) to the agency inventory coordinator/sub-coordinator as soon as new sensitive items are inspected and found to be acceptable.
8) Follow procedures for receiving assets in SWIFT or other approved recordkeeping systems. Additional information can be found in the SWIFT Asset Management Quick Reference Guides.

9) Submit the original packing slip (or substitute receipt) to the person responsible for making invoice payments.

b. From Donors

1) Follow the gift and acceptance policy for the agency, and Statewide Financial and MAPS Policy - MAPS Operating Policy and Procedure 0602-12, Gift Acceptance.
2) Follow procedures 1 through 8 in the section above.
3) Submit the original packing slip (or substitute receipt) to the person responsible for acknowledging acceptance of the donated sensitive item.

c. Through an Intra-Agency Transfer – Refer to procedures on page 5-5 of this section.

d. Through an Inter-Agency Transfer – Refer to procedures on page 5-5 and 5-6 of this section.

2. Handling Unusual Situations

a. Damaged Shipping Container/Damaged Sensitive Items

1) If there is evidence of external damage, an actual inspection of the sensitive item should be made in the presence of the carrier.
2) If the actual inspection of the sensitive item cannot be done, the driver should be required to note that the container was damaged on the agency copy of the packing slip (or substitute receipt), along with the current date and the driver's signature.
3) If, upon actual inspection, the sensitive item is damaged, a claim for damage should be submitted to the carrier or the vendor as soon as possible.
4) Note on the packing slip (or substitute receipt) that the sensitive item was damaged, and sign and date the packing slip. Send a copy of the original packing slip (or substitute receipt) to the person who requested sensitive item or the agency buyer.
5) The person who requested the sensitive item or the buyer should follow-up on the claim by working with the vendor until the claim is resolved.
6) Send the original packing slip (or substitute receipt) to the person who processes invoice payments so the person knows the vendor should not be paid until the claim is resolved.
7) A vendor performance report should be sent to MMD-Vendor Management as appropriate.

b. Partial Shipments

1) Follow the procedures for receiving sensitive items in 1.a.1 through 1.a.9 above.
2) The person who requested that the sensitive item be ordered should follow-up on partial shipments. Discrepancies between provisions of the purchase order and the sensitive item received should be resolved by contacting the vendor as soon as possible.
3) Follow-up on unshipped sensitive item ordered until they are received or the order needs to be canceled.
4) Cancel the remainder of order if the vendor cannot provide the ordered sensitive item when needed.

c. Fiscal-Year-End Acquisition

1) Be sure that the date the sensitive item is received is clearly indicated on the packing slip (or substitute receipt).

2) When making the payment, the transaction must be reported in the correct fiscal year which is the fiscal year when the sensitive item was received.
3) If the sensitive item acquired on or before June 30 cannot be paid prior to the statewide accounting system's fiscal year end close, follow MMB's annual close instructions for coding the payment to the correct accounting period.

d. Sensitive Item Delivered to Wrong Address

1) Contact the carrier or postmaster to deliver the sensitive item to the correct address or to return the sensitive item to the sender.

e. Wrong Sensitive Item Delivered

1) Notify the vendor immediately that wrong sensitive item was delivered.
2) Make necessary arrangements with the vendor for the return of the wrong sensitive item and delivery of the sensitive item ordered. Authorization may be required to return the sensitive item to the vendor.
3) Return the sensitive item following the vendor's instructions.
4) Provide "return" documentation to the person making invoice payments so that individual does not pay the invoice.

f. Unacceptable Acceptance Testing

1) Notify the vendor immediately that the sensitive item did not pass acceptance testing.
2) Make necessary arrangements with the vendor to resolve the problems or to return the unacceptable sensitive item. Authorization may be required to return the sensitive item to the vendor.
3) Return the sensitive item following the vendor's instructions, if applicable.
4) Provide "return" documentation to the person making invoice payments so that individual does not pay the invoice.

3. Marking Sensitive Items Upon Delivery

a. To protect the agency's investment, sensitive items should be marked with a "Property of the State of Minnesota" or numbered asset label as soon as they are received and found acceptable. Numbered and unnumbered property labels can be purchased from MINNCOR Industries. A supply should be kept on hand by the person responsible for sensitive items at the agency. Engraving can also be done identifying that the property belongs to the State of Minnesota. Numbered asset labels can be used to tag sensitive items to facilitate tracking. It is recommended to use numbered asset labels for PCs.
b. Whenever possible, sensitive items should be marked in a place clearly visible from a position in front of the sensitive item. This will facilitate identification of a sensitive item during a physical inventory or an inventory spot check. Establishing an agency standard for sensitive item label location for like sensitive items will assist the inventory coordinator/coordinator when the sensitive item label is not clearly visible.
c. Alternate methods of marking sensitive items, such as permanent engraving, stenciling, or painting, should be considered when use of a label is inappropriate or not feasible.
d. There are also situations in which it is not feasible to affix a label or use an alternate method to mark the sensitive item. A separate file should be maintained for these sensitive items. The file must contain a complete description of the sensitive item, and the location of the sensitive item.

e. All ownership identification must be removed when a sensitive item is no longer owned by the state.

4. Reporting Requirements

a. Agencies may use SWIFT or an alternative recordkeeping system to track sensitive items.

5. Agency Location Information

a. Agency location should be reported for each sensitive item in the recordkeeping system.
b. A location code schematic might be designed for any agency that occupies more than a few rooms. A floor plan of the agency is a useful tool in planning this design. This schematic can be as simple or elaborate as required by the agency. To be effective, a location code schematic should permit easy location of any sensitive item.

6. Disposal of State Surplus Property

a. When it has been determined that state property is surplus to one location or division within the agency, the inventory coordinator/sub-coordinator should try to find potential users at other locations or divisions within the agency. See Intra-Agency Transfer of Sensitive items on page 5-5.
b. If there are no potential users within the agency, the inventory coordinator/sub-coordinator should try to find potential users in other state agencies or contact Surplus Services. See Inter-Agency Transfer of Sensitive items on page 5-5.
c. If the agency can no longer use the sensitive item and no other potential users within the state have been identified, the inventory coordinator/sub-coordinator should complete a *Property Disposition Request* form and submit it to Surplus Services.
d. Surplus Services will assign a control number and sign the form and return a copy to the agency. Surplus Services may either approve the agency's recommended disposition of the property or authorize an alternate method of disposal. Methods of disposal include transfer to another state agency, transfer or sale to another unit of government or eligible non-profit organization, sale by sealed bid, sale by auction, negotiated sale, or scrap.
e. The inventory coordinator/sub-coordinator is responsible for removing all State of Minnesota ownership identification from the sensitive item that is no longer owned by the state and ensuring that the sensitive item disposition is reported in the sensitive item recordkeeping system.
f. All computers declared surplus must have data removed from their hard drives in accordance with MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard - http://mn.gov/oet/images/SEC_S_Information_Sanitization_and_Destruction.pdf.

7. Intra-Agency Transfer of Sensitive Items

a. Agencies must complete the Intra-Agency Transfer form (See section 10) or a similar internal inter-agency transfer document for reporting movement of sensitive items within the agency. This documentation must be maintained by the agency.
b. The procedures in MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard - http://mn.gov/oet/images/SEC_S_Information_Sanitization_and_Destruction.pdf must be followed, if appropriate, when items contain private or non-public data.
c. Location information in the sensitive item recordkeeping system should be updated as the movement or transfer of sensitive items is reported.

d. It is not necessary to submit a *Property Disposition Request* form when transferring sensitive items between divisions within the agency.

8. Inter-Agency Transfer of Sensitive Items (Movement of Sensitive Items Between State Agencies)

a. The procedures in MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard http://mn.gov/oet/images/SEC_S_Information_Sanitization_and_Destruction.pdf must be followed when items contain private or non-public data.
b. To transfer surplus sensitive items to another state agency, prepare a *Property Disposition Request* form, and submit it to Surplus Services for review and approval. A copy of the form with an approval number and signature will be returned to the agency if the transfer is approved. If the transfer is not approved, the form will be returned to the agency with authorization and instructions for disposal of the surplus property.
c. The inventory coordinator/sub-coordinator is responsible for ensuring that the sensitive item disposition is reported in the sensitive recordkeeping system.

9. Utilization of Federally-Funded Sensitive Items

a. Additional requirements may be required for federally-funded sensitive items. State agencies must be in compliance with all state and federal requirements.
b. Disposal of federally-owned sensitive items or sensitive items purchased with federal funds must follow any applicable federal procedures. If there are no defined federal procedures, the state procedures must be followed.

III. Sensitive Item Inventory

A. Definition of a Physical Inventory

A "physical inventory" is physically counting sensitive items. The State of Minnesota goes beyond this basic definition. In the State of Minnesota, physical inventory is the act of accounting for, and the accurate verification of, information on file for each piece of state-owned sensitive item property. In this accounting and verification process, emphasis is placed on the following aspects pertaining to each item:

1. Physically locating the sensitive items maintained on the sensitive item recordkeeping system, for the specific agency or activity.
2. Verifying that the location information on file for the sensitive item is accurate.
3. Verifying that the sensitive items are properly labeled as state property.
4. Verifying that each sensitive item in existence is reported in the sensitive item recordkeeping system.
5. Verifying that the sensitive item description is accurate.
6. Verifying that the sensitive item is in good condition for use. If the sensitive item is not in good condition, identify if it needs repairs or additional maintenance (e.g., cleaning) and report this to the appropriate personnel for action.
7. Verifying that the sensitive item is being used. If the sensitive item is not being used, determine whether it is surplus to the agency's needs or obsolete and dispose of appropriately.

B. Physical Inventory Mandated Biennially For Sensitive Items

A complete physical inventory (e.g., a wall-to-wall inventory count) for sensitive items must be conducted, at a minimum, biennially.

C. Other Conditions that may require a Physical Inventory

If one of the following conditions occurs, a physical inventory should be completed.

1. Failure of a sensitive item inventory audit. If an audit is conducted within the agency or by an outside agency, and a minimum inventory accuracy level of 95 percent is not achieved.
2. If a physical inventory was conducted and a specific area's accuracy level was below 95 percent, a physical inventory of that area should occur every six months until the acceptable 95 percent accuracy level is achieved.
3. A physical inventory should be taken whenever the person acting as inventory coordinator/ sub-coordinator is changed. The new individual in that position should conduct a physical inventory to verify the accuracy of the inventory information provided by the departing inventory coordinator/sub-coordinator. The new inventory coordinator/sub-coordinator can correct discrepancies immediately and start from a base that is accurate.

D. Planning and Scheduling the Physical Inventory

1. Plan how the physical inventory will be performed. The inventory can be performed by building, areas within the building, and activities within an agency.
2. Decide who will perform the physical inventory. The physical inventory should be performed by properly trained teams made up of agency personnel. To ensure an adequate separation of duties for internal control purposes, it is essential that the persons taking the physical inventory counts are not the same individuals responsible for reporting activity (e.g., acquisitions and dispositions) in the sensitive items recordkeeping system, unless others are involved.
3. Determine when the physical inventory should be conducted. Consideration should be given to whether personnel will be on site to open locked desks and cabinets.
4. Prepare a realistic schedule for the physical inventory, including a start date, date the initial search is expected to be completed, start date of the verification process, completion date of the verification process, and physical inventory completion date.
5. Prepare a memo explaining the physical inventory process and soliciting cooperation. Send this memo to all impacted agency personnel.
6. Obtain all supplies necessary for the physical inventory and begin the process. Necessary supplies include paper, pens, asset property labels (numbered and unnumbered), a current agency location scheme, and a current master listing of sensitive items by location. A small hand mirror is a helpful tool to see that the appropriate property label is attached to the sensitive item.

E. Conducting and Reconciling the Physical Inventory

1. Conduct the inventory in two ways. Count (1) record to sensitive item and (2) sensitive item to record.
2. When conducting a complete physical inventory, it is most effective to enter an area with a blank form (or agency designed report form) and write down the information for each sensitive item. This procedure, as opposed to entering the area with a list of sensitive items to be located, will help ensure that all sensitive items in the area are accounted for. The information recorded should include, but is

not limited to, the asset number (if one was assigned), tag number, description, location, profile id, and condition. When appropriate, the serial number and model number should be included.

3. Next, the information collected is compared to the sensitive item master listing. When an agency has multiple locations, it is preferable to sort this list in location order.
4. When discrepancies are found, they should be resolved immediately. It may be necessary to return to the location and conduct a complete search for the missing sensitive items. It may be necessary to interview employees in the area to determine the disposition of missing sensitive items. The original purchase orders for the missing sensitive items may provide helpful information to pursue in order to locate the sensitive item. If the sensitive item cannot be found, see Section IV, Stolen, Lost, Damaged, or Recovered Sensitive Items.
5. All discrepancies must be corrected in the sensitive item recordkeeping system.
6. If during the complete physical inventory, you see that the sensitive item is not being used, bring this to the attention of the inventory coordinator/sub-coordinator, who will determine whether the sensitive item is surplus to the agency's needs or obsolete and dispose of appropriately.
7. If during the complete physical inventory, you see that a sensitive item needs to be repaired, bring this to the attention of the inventory coordinator/sub-coordinator who can take the appropriate action to repair the sensitive item or follow procedures for disposal.
8. An alternative to the complete physical inventory is to conduct cycle counts of the sensitive item inventory. For example, to conduct a complete physical inventory in one year, the agency can be divided into 12 roughly equal areas. A complete physical inventory can be conducted and reconciled in a different area each month. After 12 months, the entire agency will have been inventoried. If the agency experiences many movements of sensitive items, this method may require time-consuming reconciliations each month.

F. Sensitive Item Spot Checks

1. Spot checks are an effective tool for maintaining inventory accuracy. If a specific area of the agency has consistently demonstrated a high level of inventory accuracy, one spot check between physical inventories will help keep the accuracy level high. If an area of the agency had a poor inventory accuracy level resulting from a physical inventory, spot checks should be conducted frequently in the interim until a complete physical inventory of the area has established a satisfactory accuracy level. Large agencies may wish to check a specific number of buildings or floors each month. The areas checked should be scheduled randomly.
2. When selecting sensitive items to be sampled for specific locations within the agency, the following sample size chart may be utilized.

SPOT CHECK CHART

Sensitive Items in the Area	Minimum Sample Size
1-20	All
21-50	10
51-100	15
101-200	20
201-500	25
501 or more	50

3. When spot checking the entire agency, the following sample size chart may be utilized:

SENSITIVE ITEM SPOT CHECK SAMPLE SIZE

Number of Sensitive Items	Minimum Sample Size
1-79	15
80-200	20

201-300	25
301-400	30
401-600	35
601-800	40
801-1000	45
1001-2000	50
2001-4000	75
4001 or more	100

4. To determine which sensitive items will be in the sample for the spot check, divide the total number of sensitive items by the sample size. For example, 800 total sensitive items divided by sample size of 40 equals 20, every twentieth sensitive item will be selected. To choose where to start selecting sensitive items for the spot check from the sensitive item recordkeeping system, randomly select one sensitive item out of the first 20 listed in the system. This is the first sensitive item for the spot check. The remaining sensitive items for the spot checks are every 20th sensitive item thereafter. An alternative to this approach is to select the sensitive items for the spot check using a random number table or use the internet to generate a random number sequence (e.g., http://www.random.org).
5. Preparations for a spot check should be similar to the planning and scheduling for the complete physical inventory.
6. The spot check procedure should be similar to conducting and reconciling the physical inventory.
7. If a sensitive item cannot be located in a reasonable length of time, it is considered "not found" for reporting purposes.
8. After the spot check procedure has been completed, a report should be prepared giving the accuracy level and discrepancies discovered in the area. Discrepancies include sensitive items that were "not found", unmarked sensitive items, illegible asset numbers (if one was assigned), incorrect locations, and incorrect profile ids. An accuracy level of 95 percent and above is considered acceptable. Areas that fall below 95 percent accuracy should have a complete physical inventory scheduled.
9. All sensitive items found with illegible numbers (if an asset number was assigned) must be properly marked as state property.
10. All discrepancies must be corrected immediately on the recordkeeping system. Refer to the Stolen, Lost, Damaged, or Recovered Sensitive Items section below for procedures to follow when sensitive items are "not found".

IV. Stolen, Lost, Damaged or Recovered Sensitive Items

A. A *Stolen, Lost, Damaged or Recovered Property Report* must be completed under the following circumstances regardless of whether the sensitive item was located at the work site or off-site (e.g., employee has authorization to use the sensitive item at the employee's residence):
   1. Sensitive item is stolen.
   2. Sensitive item is lost.
   3. Stolen sensitive item is recovered.
   4. Lost sensitive item is found.

B. If the lost or stolen sensitive item contains private or non-public data, notify the agency's data practices compliance official immediately.

C. Immediate action should be taken to locate the sensitive item if lost or stolen.

D. If these actions fail to locate the sensitive item within a reasonable time frame, but no longer than five business days, the loss, theft or suspected theft within the Capitol Complex area must be reported to the Department of Public Safety's Capitol Complex Security Division. A theft or suspected theft

outside the Capitol Complex area should be report to local law enforcement authorities. Inventory coordinators/sub-coordinators should follow up with these authorities to ensure action has been taken to recover the sensitive item.

E. A copy of the *Stolen, Lost, Damaged or Recovered Property Report* must be submitted to the agency's inventory coordinator/sub-coordinator.

F. Notify the agency's claim officer and/or the Department of Administration's Risk Management Division claims manager of any lost, stolen, damaged, or recovered sensitive items. The claims manager will check agency sensitive item coverage. If the agency has no insurance coverage or the deductible is higher than the value of the sensitive item, then the agency must absorb the loss from its operating budget if it chooses to replace the sensitive item.

G. A sensitive item is considered stolen if an employee fails to return a sensitive item to the state within a reasonable time frame, generally 5 business days, following the request of management for the sensitive item or upon the employee's separation from state service. The employee's manager/supervisor must take appropriate action for stolen sensitive items as noted above. The employee's manager/supervisor must also report the incident immediately to the agency Human Resources Division Director for possible disciplinary action, for recording in the employee's personnel file, and for possible reduction of employee's final pay.

H. After an extensive search has failed to result in the recovery of the stolen or lost sensitive item, within 30 days submit a copy of the *Stolen, Lost, Damaged or Recovered Property Report* to the agency's Human Resources Division Director, Surplus Services and the Legislative Auditor's Office (Minnesota Statutes 609.456, subd. 2 requires reporting in writing thefts or unlawful use of property to the Legislative Auditor).

I. If a sensitive item is recovered, complete and submit the *Stolen, Lost, Damaged or Recovered Property Report* to the agency's Human Resources Division Director, Surplus Services and the Legislative Auditor's Office. Agencies should notify Capitol Complex Security or local law enforcement authorities that the property has been recovered. In addition, determine whether the capital asset was covered by insurance. If so, contact Admin Risk Management to determine proper disposition of the property. If the capital asset was not covered by insurance and is still usable, record the information in the agency capital asset in the recordkeeping system. If the recovered property is not usable, follow the procedures for disposal of state surplus property.

J. Damaged, lost, or stolen sensitive items that are not recovered must be recorded in the recordkeeping system.

V. Misuse of Sensitive Items

A. Employee misuse of a sensitive item may be subject to disciplinary action, up to and including termination.

B. Examples of misuse of a sensitive item include, but are not limited to, the following actions:
   1. theft,
   2. damage with willful intent,
   3. destruction with willful intent,
   4. use of the sensitive item for personal gain,
   5. permitting other individuals to use the sensitive item for non-state purposes,
   6. non-return of a sensitive item when requested,
   7. permitting an outside consultant to use the sensitive item without a contract term allowing them to use the sensitive item, or
   8. inappropriate use. Employee access to and use of electronic tools is intended for business-related purposes. Limited and reasonable incidental use of these tools for occasional employee personal purpose that does not result in any additional costs or loss of time or resources for their intended business purpose is permitted. Incidental use is defined as minimal duration in length and

frequency. See Statewide Policy: Appropriate Use of Electronic Communication and Technology .

C. When misuse of a sensitive item is suspected, it should be reported immediately to the agency inventory coordinator/sub-coordinator, the Human Resources Division Director, and the appropriate manager/supervisor.

VI. Sensitive Items Used Outside the Workplace

A. A signed agreement or inventory tracking system must be in place for state-owned sensitive items used outside of the agency-defined workplace. Employees that have a need to take a state-owned sensitive item out of the workplace should have a signed agreement. This agreement must address the conditions for their possession of the sensitive item, acceptable uses, and a requirement to return it when no longer needed for work-related use, when they depart from the division, or when requested by management. The employee's manager/supervisor must review and approve this agreement. Signed agreements must be kept on file. If there is no signed agreement, the agency must ensure that the employee is informed of the appropriate use of the sensitive item and the requirement to return it when no longer needed for work-related use. A sample agreement is provided in the Forms Section (Section 10).

B. Agencies allowing individuals to take state-owned property which contains private or non-public data outside the workplace must ensure that appropriate procedures are in place to prevent unauthorized access to the private or non-public data.

C. An employee's use of state property outside the workplace should be consistent with the statewide telecommuting policy and the employee's agency telecommuting policy.

D. The agency's sensitive item recordkeeping system must include data indicating what sensitive items are used outside the workplace and by whom (employee name, or consultant name and contract number).

E. Certain statutes address state employee use of state property. Minnesota Statutes 16B.55 specifies permitted and prohibited uses of state vehicles. Also, Minnesota Statutes 43A.38 states that inappropriate use of state property is a violation of the Code of Ethics for Employees in the Executive Branch.

F. Examples of inappropriate use of sensitive items outside the workplace include, but are not limited to the following:
   1. using the sensitive item for personal use without express statutory authority (e.g., using a computer for a personal business),
   2. giving the sensitive item to the employee as a gift or transferring ownership of the sensitive item to the employee outside of public sale, or
   3. permitting non-state employee use, including consultants without contractual provisions which allow off-site use of sensitive items.

H. Contractors may be permitted to use sensitive items off-site provided their agreement with the state identifies the sensitive items, requires that the sensitive items are returned to the state upon termination of the contract or by request if allowed by contract terms, and states that inappropriate use of such sensitive items is prohibited.

Section 6 - Consumable Inventory

I. General Information

A. Definition of Consumable Inventory

Items purchased by an agency for (a) reissue/reuse/resale which the agency controls as parts of its ongoing operations (e.g., controlled substances, ammunition, construction materials, bulk fuel, hardware items, maintenance parts, 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 or processed materials (e.g., work-in-process, finished goods).

II. Management and Control of Consumable Inventory

A. Procedures For Receiving Consumable Inventory:

1. Receiving Consumable Inventory

a. From Vendors

1) Upon receipt of the consumable inventory, the person responsible for receiving should examine the shipping container for external damage. If the shipping container is damaged, refer to "Damaged Shipping Container/Damaged Consumable Inventory" in the "Handling Unusual Situations" section that follows.
2) Open the shipping container and inspect the consumable inventory received. If the consumable inventory is damaged, refer to the "Damaged Shipping Container/Damaged Consumable Inventory" in the "Handling Unusual Situations" section that follows.
3) Search for the packing slip. Compare the consumable inventory received to the items shipped as reported on the packing slip and note the items received. Sign and date the packing slip. If the vendor did not provide a packing slip, prepare a substitute receipt indicating the items received, and sign and date this document.
4) Keep the consumable inventory in a secure area, not in an open receiving dock area, to safeguard the consumable inventory until it can be delivered to the appropriate location.
5) Deliver the consumable inventory to its intended location or to the person who requested that the consumable inventory be ordered.
6) If acceptance testing is necessary, have the person putting the consumable inventory into operation sign the packing slip (or substitute receipt) if the consumable inventory is in acceptable condition for use. If the consumable inventory is unacceptable, refer to the "Handling Unusual Situations" section that follows.
7) Provide a copy of the packing slip (or substitute receipt) to the agency inventory coordinator/sub-coordinator as soon as new consumable inventory are inspected and found to be acceptable. This will ensure the timely recording of the consumable inventory in the consumable inventory recordkeeping system.
8) Submit the original packing slip (or substitute receipt) to the person responsible for making invoice payments.
9) Follow procedures for receiving consumable inventory items in SWIFT or other approved recordkeeping systems.

b. From Donors

1) Follow the gift and acceptance policy for the agency, and Statewide Financial and MAPS Policy - MAPS Operating Policy and Procedure 0602-12, Gift Acceptance.
2) Follow procedures 1 through 8 in the section above.
3) Submit the original packing slip (or substitute receipt) to the person responsible for acknowledging acceptance of the donated consumable inventory.

c. Through an Intra-Agency Transfer – Refer to procedures on page 6-4 of this section.

d. Through an Inter-Agency Transfer – Refer to procedures on page 6-4 to 6-5 of this section.

2. Handling Unusual Situations

a. Damaged Shipping Container/Damaged Consumable Inventory

1) If there is evidence of external damage, an actual inspection of the consumable inventory should be made in the presence of the carrier.
2) If the actual inspection of the consumable inventory cannot be done, the driver should be required to note that the container was damaged on the agency copy of the packing slip (or substitute receipt), along with the current date and the driver's signature.
3) If, upon actual inspection, the consumable inventory is damaged, a claim for damage should be submitted to the carrier or the vendor as soon as possible.
4) Note on the packing slip (or substitute receipt) that the consumable inventory was damaged, and sign and date the packing slip. Send a copy of the original packing slip (or substitute receipt) to the person who requested consumable inventory or the agency buyer.
5) The person who requested the consumable inventory or the buyer should follow-up on the claim by working with the vendor until the claim is resolved.
6) Send the original packing slip (or substitute receipt) to the person who processes invoice payments so the person knows the vendor should not be paid.
7) A vendor performance report should be sent to MMD-Vendor Management as appropriate.

b. Partial Shipments

1) Follow the procedures for receiving consumable inventory in 1.a.1 through 1.a.9 above.
2) The person who requested that the consumable inventory be ordered should follow-up on partial shipments. Discrepancies between provisions of the purchase order and the consumable inventory received should be resolved by contacting the vendor as soon as possible.
3) Follow-up on unshipped consumable inventory ordered until they are received or the order needs to be canceled.
4) Cancel the remainder of order if the vendor cannot provide the ordered consumable inventory when needed.

c. Fiscal-Year-End Acquisitions

1) Be sure that the date the consumable inventory is received is clearly indicated on the packing slip (or substitute receipt).

2) When making the payment, the transaction must be reported in the fiscal year when the consumable inventory was received.
3) If the consumable inventory acquired on or before June 30 cannot be paid prior to the statewide accounting system's fiscal year end close, follow MMB's annual close instructions for coding the payment to the correct accounting period

d. Consumable Inventory Delivered to Wrong Address

1) Contact the carrier or postmaster to deliver the consumable inventory to the correct address or to return the consumable inventory to the sender.

e. Wrong Consumable Inventory Delivered

1) Notify the vendor immediately that wrong consumable inventory was delivered.
2) Make necessary arrangements with the vendor for the return of the wrong consumable inventory and delivery of the consumable inventory ordered. Authorization may be required to return the consumable inventory to the vendor.
3) Return the consumable inventory following the vendor's instructions.
4) Provide "return" documentation to the person making invoice payments so that individual does not pay the invoice.

f. Unacceptable Acceptance Testing

1) Notify the vendor immediately that the consumable inventory did not pass acceptance testing.
2) Make necessary arrangements with the vendor to resolve the problems or to return the unacceptable consumable inventory. Authorization may be required to return the consumable inventory to the vendor.
3) Return the consumable inventory following the vendor's instructions, if applicable.
4) Provide "return" documentation to the person making invoice payments so that individual does not pay the invoice.

3. Marking Consumable Inventory Upon Delivery

a. Consumable Inventory items should not be tagged as "Property of the State of Minnesota" due to the nature of the item.

4. Consumable Inventory Recordkeeping System

a. State agencies are responsible for maintaining a consumable inventory recordkeeping system. Records within this system may contain the following data elements:
1) Description of the consumable inventory
2) Acquisition date
3) Quantity
4) Acquisition cost
5) Cost per unit
6) Location (see following section)
7) Purchase Order Number
8) Date removed from inventory
9) Inventory balance

5. Agency Location Information

a. Agency location should be reported for each consumable inventory in the recordkeeping system.
b. A location code schematic might be designed for any agency that occupies more than a few rooms. A floor plan of the agency is a useful tool in planning this design. This schematic can be as simple or elaborate as required by the agency. To be effective, a location code schematic should permit easy location of any consumable inventory.

6. Disposal of State Surplus Property

a. When it has been determined that state property retaining utility or monetary value is surplus to one location or division within the agency, the inventory coordinator/sub-coordinator should try to find potential users at other locations or divisions within the agency. See Intra-Agency Transfer of Consumable Inventory below.
b. If there are no potential users within the agency, the inventory coordinator/sub-coordinator should try to find potential users in other state agencies or contact Surplus Services. See Inter-Agency Transfer of Consumable Inventory on page 6-4 to 6-5.
c. If the agency can no longer use the consumable inventory and no other potential users within the state have been identified, the inventory coordinator/sub-coordinator should complete a *Property Disposition Request* form and submit it to Department of Administration's Surplus Services Division.
d. Surplus Services will assign a control number, sign the form, and return a copy to the agency. Surplus Services may either approve the agency's recommended disposition of the property or authorize an alternate method of disposal. Methods of disposal include transfer to another state agency, transfer or sale to another unit of government or eligible non-profit organization, sale by sealed bid, sale by auction, negotiated sale, or scrap.
e. The inventory coordinator/sub-coordinator is responsible for ensuring that the consumable inventory disposition is reported in the consumable inventory recordkeeping system.
f. MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard - http://mn.gov/oet/images/SEC_S_Information_Sanitization_and_Destruction.pdf must be followed when items contain private or non-public.

7. Intra-Agency Transfer of Consumable Inventory

a. A form should be made available to agency personnel to report the movement of consumable inventory within the agency to the inventory coordinator/sub-coordinator. A sample form is provided in Section 10 of this User's Guide. The agency must maintain this record.
b. Location information in the consumable inventory recordkeeping system should be updated as the movement or transfer of consumable inventory is reported.
c. It is not necessary to submit a *Property Disposition Request* form when transferring consumable inventory between locations or divisions of an agency.

8. Inter-Agency Transfer of Consumable Inventory (Movement of Consumable Inventory Between State Agencies)

a. To transfer surplus consumable inventory to another state agency, prepare a *Property Disposition Request* form, and submit it to Surplus Services for review and approval. A copy of the form with an approval number and signature will be returned to the agency if the transfer is approved. If the

transfer is not approved, the form will be returned to the agency with instructions for disposal of the surplus property.

b. The inventory coordinator/sub-coordinator is responsible for ensuring that the consumable inventory disposition is reported in the consumable inventory recordkeeping system.
c. MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard - http://mn.gov/oet/images/SEC_S_Information_Sanitization_and_Destruction.pdf must be followed when items contain private or non-public.

9. Utilization of Federally-Funded Consumable Inventory

a. Additional requirements may be required for federally-funded consumable inventory items. State agencies must be in compliance with all state and federal requirements.
b. Disposal of federally-owned consumable inventory or consumable inventory purchased with federal funds must follow any applicable federal procedures. If there are no defined federal procedures, the state procedures must be followed.

III. Physical Inventory of Consumable Inventory

A. Definition of a Physical Inventory

A "physical inventory" is physically counting consumable inventory. The State of Minnesota goes beyond this basic definition. In the State of Minnesota, physical inventory is the act of accounting for, and the accurate verification of, information on file for each piece of state-owned consumable inventory property. In this accounting and verification process, emphasis is placed on the following aspects pertaining to each item:

1. Physically locating the consumable inventory maintained on the consumable inventory recordkeeping system, for the specific agency or activity.
2. Verifying that the location information on file for the consumable inventory is accurate.
3. Verifying that consumable inventory in existence is reported in the consumable inventory recordkeeping system.
4. Verifying that the consumable inventory description is accurate.
5. Verifying that the consumable inventory is in good condition for use. If the consumable inventory is not in good condition, report this to the appropriate personnel for action.
6. If the consumable inventory is not being used, determine whether it is surplus to the agency's needs or obsolete and dispose of appropriately.

B. Physical Inventory Mandated Annually For Consumable Inventory

A complete physical inventory (e.g., a wall-to-wall inventory count) for consumable inventories must be conducted, at a minimum, annually.

C. Other Conditions that may require a Physical Inventory

If one of the following conditions occurs, a physical inventory should be completed.

1. Failure of a consumable inventory audit conducted within the agency or by an outside agency. If an audit is performed by the agency or an outside agency, and a minimum inventory accuracy level of 95 percent is not achieved.

2. If an annual physical inventory was conducted and a specific area's accuracy level was below 95 percent, a physical inventory of that area should occur every six months until the acceptable 95 percent accuracy level is achieved.
3. A physical inventory should be taken whenever the person acting as inventory coordinator/sub-coordinator is changed. The new individual in that position should conduct a physical inventory to verify the accuracy of the inventory information provided by the departing inventory coordinator/sub-coordinator. The new inventory coordinator/sub-coordinator can correct discrepancies immediately and start from a base that is accurate.

D. Planning And Scheduling the Physical Inventory

1. Plan how the physical inventory will be performed. The inventory can be performed by building, areas within the building, and activities within an agency.
2. Decide who will perform the physical inventory. The physical inventory should be performed by properly trained teams made up of agency personnel. To ensure an adequate separation of duties for internal control purposes, it is essential that the persons taking the physical inventory counts are not the same individuals responsible for reporting activity (e.g., acquisitions and dispositions) in the consumable inventory recordkeeping system, unless others are involved.
3. Determine when the physical inventory should be conducted. Consideration should be given to whether personnel will be on site to open locked desks and cabinets.
4. Prepare a realistic schedule for the physical inventory, including a start date, date the initial search is expected to be completed, start date of the verification process, completion date of the verification process, and physical inventory completion date.
5. Prepare a memo explaining the physical inventory process and soliciting cooperation. Send this memo to all impacted agency personnel.
6. Obtain all supplies necessary for the physical inventory and begin the process. Necessary supplies include paper, pens, a current agency location scheme, and a current master listing of consumable inventory by location.

E. Conducting And Reconciling the Physical Inventory

1. Conduct the inventory in two ways. Count (1) record to consumable inventory item and (2) consumable inventory item to record.
2. When conducting a complete physical inventory, it is most effective to enter an area with a blank form (or agency designed report form) and write down the information for each consumable inventory item. This procedure, as opposed to entering the area with a list of consumable inventory items to be located, will help ensure that all consumable inventory in the area is accounted for. The information recorded should include, but is not limited to, description, location, quantity, and condition.
3. Next, the information collected is compared to the consumable inventory master listing. When an agency has multiple locations, it is preferable to sort this list in location order.
4. When discrepancies are found, they should be resolved immediately. It will be necessary to return to the location and conduct a complete search for the missing consumable inventory items. It may be necessary to interview employees in the area to determine the disposition of missing consumable inventory. The original purchase orders for the missing consumable inventory may provide helpful information to pursue in order to locate the consumable inventory. If the consumable inventory cannot be found, see Section IV, Stolen, Lost, Damaged, or Recovered Consumable Inventory.
5. All discrepancies must be corrected in the consumable inventory recordkeeping system.

6. If during the complete physical inventory, you see that the consumable inventory is not being used, bring this to the attention of the inventory coordinator/sub-coordinator, who will determine whether the consumable inventory is surplus to the agency's needs or obsolete and dispose of appropriately.
7. If the consumable inventory is not in good condition, report this to the appropriate personnel for action.
8. An alternative to the complete physical inventory is to conduct cycle counts of the consumable inventory. For example, to conduct a complete physical inventory in one year, the agency can be divided into 12 roughly equal areas. A complete physical inventory can be conducted and reconciled in a different area each month. After 12 months, the entire agency will have been inventoried. If the agency experiences many movements of consumable inventory, this method may require time-consuming reconciliations each month.

F. Consumable Inventory Spot Checks

1. Spot checks are an effective tool for maintaining inventory accuracy. If a specific area of the agency has consistently demonstrated a high level of inventory accuracy, one spot check between physical inventories will help keep the accuracy level high. If an area of the agency had a poor inventory accuracy level resulting from a physical inventory, spot checks should be conducted frequently in the interim until a complete physical inventory of the area has established a satisfactory accuracy level. Large agencies may wish to check a specific number of buildings or floors each month. Smaller agencies may decide to spot check the entire agency at one time. The areas checked should be scheduled randomly.
2. When selecting consumable inventory to be sampled for specific locations within the agency, the following sample size chart may be utilized.

SPOT CHECK CHART

Inventory Items in the Area	Minimum Sample Size
1-20	All
21-50	10
51-100	15
101-200	20
201-500	25
501 or more	50

3. When spot checking the entire agency, the following sample size chart may be utilized:

CONSUMABLE INVENTORY SPOT CHECK SAMPLE SIZE

Number of Inventory Items	Minimum Sample Size
1-79	15
80-200	20
201-300	25
301-400	30
401-600	35
601-800	40
801-1000	45
1001-2000	50
2001-4000	75
4001 or more	100

4. To determine which consumable inventory items will be in the sample for the spot check, divide the total number of consumable inventory items by the sample size. For example, 800 total consumable inventory items divided by sample size of 40 equals 20, every twentieth consumable inventory item

will be selected. To choose where to start selecting consumable inventory items for the spot check from the consumable inventory recordkeeping system, randomly select one consumable inventory item out of the first 20 listed in the system. This is the first consumable inventory item for the spot check. The remaining consumable inventory items for the spot checks are every 20th consumable inventory item thereafter. An alternative to this approach is to select the consumable inventory items for the spot check using a random number table or use the internet to generate a random number sequence (e.g., http://www.random.org).

5. Preparations for a spot check should be similar to the planning and scheduling for the complete physical inventory.
6. The spot check procedure should be similar to conducting and reconciling the physical inventory.
7. If a consumable inventory item cannot be located in a reasonable length of time, it is considered "not found" for reporting purposes.
8. After the spot check procedure has been completed, a report should be prepared giving the accuracy level and discrepancies discovered in the area. Discrepancies include consumable inventory items that were "not found", incorrect locations, and inconsistent quantities. An accuracy level of 95 percent and above is considered acceptable. Areas that fall below 95 percent accuracy should have a complete physical inventory scheduled.
9. All discrepancies must be corrected immediately on the consumable inventory recordkeeping system. Refer to the Stolen, Lost, Damaged, or Recovered Consumable Inventory section below for procedures to follow when consumable inventory items are "not found".

IV. Stolen, Lost, Damaged or Recovered Consumable Inventory

A. A *Stolen, Lost, Damaged or Recovered Property Report* should be completed if the agency determines that the value of the items is sufficient to report. Minnesota Statute 609.456, subd. 2 requires reporting in writing thefts, embezzlement, or unlawful use of property to the Legislative Auditor.
Refer to procedures on page 5-9 of section 5.

V. Misuse of Consumable Inventory

1. Any employee misuse of consumable inventory may be subject to disciplinary action, up to and including termination.
2. Examples of misuse of a consumable inventory include, but are not limited to, the following actions:
   a. Theft,
   b. Damage with willful intent,
   c. Destruction with willful intent. Use of the consumable inventory for personal gain,
   d. Permitting other individuals to use the consumable inventory for non-state purposes,
   e. Non-return of consumable inventory when requested,
   f. Permitting an outside consultant to use consumable inventory without a contract term allowing them to sue consumable inventory, or
   g. Inappropriate use.
3. When misuse of consumable inventory is suspected, it should be reported immediately to the agency inventory coordinator/sub-coordinator, the Human Resources Division Director, and the appropriate manager/supervisor.

Section 7 – Supplies

I. General Information

A. Definition of Supplies

Items purchased by an agency and used immediately or within a reasonable period of time after they are acquired (e.g., office supplies, or instructional materials and supplies that are used up as part of a class or training activity).

II. Management and Control of Supplies

A. Procedures For Receiving Supplies

1. Receiving Supplies

a. From Vendors

1) Upon receipt of the supplies, the person responsible for receiving should examine the shipping container for external damage. If the shipping container is damaged, refer to "Damaged Shipping Container/Damaged Supplies" in the "Handling Unusual Situations" section that follows.
2) Open the shipping container and inspect the supplies received. If the supplies are damaged, refer to the "Damaged Shipping Container/Damaged Supplies" in the "Handling Unusual Situations" section that follows.
3) Search for the packing slip. Compare the supplies received to the items shipped as reported on the packing slip and note the items received. Sign and date the packing slip. If the vendor did not provide a packing slip, prepare a substitute receipt indicating the items received, and sign and date this document.
4) Keep the supplies in a secure area, not in an open receiving dock area, to safeguard the supplies until they can be delivered to the appropriate location.
5) Deliver the supplies to the intended location or to the person who requested that the supplies be ordered.
6) If acceptance testing is necessary, have the person putting the supplies into operation sign the packing slip (or substitute receipt) if the supplies is in acceptable condition for use. If the supplies are unacceptable, refer to the "Handling Unusual Situations" section that follows.
7) Generally, supplies are not inventoried. If appropriate, an inventory can be maintained on supplies. If an inventory is maintained, provide a copy of the packing slip (or substitute receipt) to the agency inventory coordinator/sub-coordinator as soon as new supplies are inspected and found to be acceptable. This will ensure the timely recording of the supplies in the supplies recordkeeping system.
8) Submit the original packing slip (or substitute receipt) to the person responsible for making invoice payments.

b. From Donors

1) Follow the gift and acceptance policy for the agency, and Statewide Financial and MAPS Policy - MAPS Operating Policy and Procedure 0602-12, Gift Acceptance.
2) Follow procedures 1 through 7 in the section above.
3) Submit the original packing slip (or substitute receipt) to the person responsible for acknowledging acceptance of the donated supplies.

c. Through an Inter-Agency Transfer – Refer to procedures on page 7-3 to 7-4 of this section.

2. Handling Unusual Situations

a. Damaged Shipping Container/Damaged Supplies

1) If there is evidence of external damage, an actual inspection of the supplies should be made in the presence of the carrier.
2) If the actual inspection of the supplies cannot be done, the driver should be required to note that the container was damaged on the agency copy of the packing slip (or substitute receipt), along with the current date and the driver's signature.
3) If, upon actual inspection, the supplies are damaged, a claim for damage should be submitted to the carrier or the vendor as soon as possible.
4) Note on the packing slip (or substitute receipt) that the supplies were damaged, and sign and date the packing slip. Send a copy of the original packing slip (or substitute receipt) to the person who requested supplies or the agency buyer.
5) The person who requested the supplies or the buyer should follow-up on the claim by working with the vendor until the claim is resolved.
6) Send the original packing slip (or substitute receipt) to the person who processes invoice payments so the person knows the vendor should not be paid.
7) A vendor performance report should be sent to MMD-Vendor Management as appropriate.

b. Partial Shipments

1) Follow the procedures for receiving supplies in 1.a.1 through 1.a.8 above.
2) The person who requested that the supplies be ordered should follow-up on partial shipments. Discrepancies between provisions of the purchase order and the supplies received should be resolved by contacting the vendor as soon as possible.
3) Follow-up on unshipped supplies ordered until they are received or the order needs to be canceled.
4) Cancel the remainder of order if the vendor cannot provide the ordered supplies when needed.

c. Fiscal-Year-End Acquisitions

1) Be sure that the date the supplies are received is clearly indicated on the packing slip (or substitute receipt).
2) When making the payment, the transaction must be reported in the correct fiscal year which is the fiscal year when the supplies were received.
3) If the supplies cannot be paid for prior to the statewide accounting system's fiscal year end close, generally the last week in August, follow MMB's annual close instructions for coding the payment to the correct accounting period.

d. Supplies Delivered to Wrong Address

Contact the carrier or postmaster to deliver the supplies to the correct address or to return the supplies to the sender.

e. Wrong Supplies Delivered

1) Notify the vendor immediately that wrong supplies were delivered.
2) Make necessary arrangements with the vendor for the return of the wrong supplies and delivery of the supplies ordered. Authorization may be required to return the supplies to the vendor.
3) Return the supplies following the vendor's instructions.
4) Provide "return" documentation to the person making invoice payments so that individual does not pay the invoice.

f. Unacceptable Acceptance Testing

1) Notify the vendor immediately that the supplies did not pass acceptance testing.
2) Make necessary arrangements with the vendor to resolve the problems or to return the unacceptable supplies. Authorization may be required to return the supplies to the vendor.
3) Return the supplies following the vendor's instructions, if applicable.
4) Provide "return" documentation to the person making invoice payments so that individual does not pay the invoice

3. Marking Supplies Upon Delivery

a. Supplies are not tagged as "Property of the State of Minnesota" due to the nature of the items.

4. Disposal of State Surplus Property

a. When it has been determined that State property retaining utility or monetary value is surplus to one location or division within the agency, the inventory coordinator/sub-coordinator should try to find potential users at other locations or divisions within the agency. See Intra-Agency Transfer of Supplies on page 7-4.
b. If there are no potential users within the agency, the inventory coordinator/sub-coordinator should try to find potential users in other state agencies or contact Surplus Services. See Inter-Agency Transfer of Supplies on page 7-4.
c. If the agency can no longer use the supplies and no other potential users within the state have been identified, the inventory coordinator/sub-coordinator should complete a *Property Disposition Request* form and submit it to Surplus Services.
d. Surplus Services will assign a control number, sign the form, and return a copy to the agency. Surplus Services may either approve the agency's recommended disposition of the property or may recommend an alternate method of disposal. Methods of disposal include transfer to another state agency, transfer or sale to another unit of government or eligible non-profit organization, sale by sealed bid, sale by auction, negotiated sale, or scrap.

5. Inter-Agency Transfer of Supplies (Movement of Supplies Between State Agencies)

a. To transfer surplus supplies to another state agency, prepare a *Property Disposition Request* form, and submit it to Surplus Services for review and approval. A copy of the form with an approval number and signature will be returned to the agency if the transfer is approved. If the transfer is not approved, the form will be returned to the agency with instructions for disposal of the surplus property.

6. Utilization of Federally-Funded Supplies

a. Additional requirements may be required for federally-funded supplies. State agencies must be in compliance with all state and federal requirements.
b. Disposal of federally-owned supplies or supplies purchased with federal funds must follow any applicable federal procedures. If there are no defined federal procedures, the state procedures must be followed.

III. Physical Inventory of Supplies

Because supplies are generally purchased to be used immediately or within a reasonable period of time after they are acquired, inventories for supplies are not maintained. Agencies may determine to control through inventory certain supply items.

IV. Stolen, Lost, Damaged or Recovered Supplies

A. A *Stolen, Lost, Damaged or Recovered Property Report* should be completed if the agency determines that the value of the items is sufficient to report. Minnesota Statute 609.456, subd. 2 requires reporting in writing thefts, embezzlement, or unlawful use of property to the Legislative Auditor. **Refer to procedures on page 5-9 and 5-10 of section 5.**

V. Misuse of Supplies

A. Any employee misuse of supplies may be subject to disciplinary action, up to and including termination.
B. Examples of misuse of supplies include, but are not limited to, the following actions:
   1. theft,
   2. damage with willful intent,
   3. destruction with willful intent,
   4. use of the supplies for personal gain,
   5. permitting other individuals to use the supplies for non-state purposes,
   6. non-return of supplies when requested,
   7. permitting an outside consultant to use supplies without a contract term allowing them to use supplies, or
   8. inappropriate use.
C. When misuse of supplies is suspected, it should be reported immediately to the agency inventory coordinator/sub-coordinator, the Human Resources Division Director, and the appropriate manager/supervisor

Section 8 - Surplus Property

I. General Information

A. Definition of Surplus Property

Any state-owned property with utility or monetary value including capital assets, sensitive items, commodities, equipment, materials, supplies, buildings, and other property, that is obsolete, unused, not needed for a public purpose, or ineffective for current use. Any liens against property must be satisfied before the property can be considered surplus.

B. Purpose and Scope

1. The objectives of an effective surplus property management program are to:
   a. Optimize the use of state-owned property through intra-agency and inter-agency surplus property transfers; and
   b. Obtain the maximum return on investment for the State of Minnesota through the sale of non-transferable surplus property.
2. This section has been prepared in accordance with Minnesota Statute 16C.23 and Minnesota Rules Chapter 1255. Its contents are applicable to all state agencies possessing surplus property.
3. Consistent with Minnesota Statute 16C.23, the Commissioner of Administration may do any of the following to dispose of state surplus property:
   a. transfer it to or between state agencies;
   b. transfer it to a governmental unit or eligible nonprofit organization in Minnesota;
   c. sell it and charge an administrative fee to cover expenses incurred in the disposal of the surplus property; or
   d. transfer state surplus computers to Minnesota Computers for Schools for refurbishing and distribution to any school, school system, college, or university in Minnesota.

C. General Classifications of Surplus Property

1. Recyclable Property - Consists of supplies, parts, materials, and equipment that have outlasted their effective usefulness and are considered beyond economical repair with no further utility value to the state, but can be recycled. Examples of recyclable property include: used tires, tubes, aluminum, steel, brass, waste paper, scrap film x-rays, and other recyclable waste materials.
2. Obsolete Property - Consists of supplies, parts, materials, and equipment that retain various degrees of utility value, but are no longer functional to an operation due to a model change, style change or technological development.
3. Excess Property - Consists of supplies, parts, materials, and equipment that retain utility value and are still functional to an operation, but exceed an organization's forecasted inventory needs of two years.
4. Worthless Property - Property that has no further utility or monetary value to the state and is not recyclable. Worthless property must be disposed of in accordance with state, federal, and local ecological along with environmental regulations.
5. Hazardous Property - Any property or discarded material in solid, semi-solid, liquid or gaseous form that cannot be handled by routine waste management techniques because it poses a substantial present or potential hazard to human health or other living organisms due to its chemical, biological, or physical properties. Categories of hazardous waste materials include, but

are not limited to explosives, flammables, oxidizers, poisons, irritants, and corrosives.

II. Property Transfers

A. General Information

1. Surplus property reporting and transfer procedures apply statewide to optimize property utilization.
2. Maximum property utilization can be best achieved through the effective transfer of surplus property within and among state agencies. The following sections describe the statewide procedures for intra-agency and inter-agency surplus property transfers.

B. Intra-Agency Property Transfers

1. Whenever possible, surplus property that is no longer needed by an operation within an agency should be transferred within that agency.
2. The procedures in MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard must be followed when items contain private or non-public data.
3. Intra-agency transfers do not require prior approval from Surplus Services, nor do they require notification: however, all recordkeeping systems must be updated as appropriate.
4. Specific instructions for intra-agency transfers for capital assets, sensitive items, consumable inventories, and supplies are provided in the appropriate section of this user guide.

C. Inter-Agency Property Transfers

1. All surplus property retaining value that cannot be transferred within an agency should be made available for transfer to and use by other state agencies. State agencies may post their surplus items to the Surplus Services' Surplus Exchange.
2. The procedures in MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard must be followed when items contain private or non-public data.
3. Inter-agency property transfers require approval from Surplus Services. Agencies must use a *Property Disposition Request* form to obtain approval for inter-agency transfers of surplus property.
4. The *Property Disposition Request* form will be evaluated by Surplus Services to determine the most appropriate means of disposition. If the property is considered to have further value to the state, it will be made available to other state agencies. Wherever feasible, state agencies should acquire needed property from available surplus, rather than purchase new items of a similar nature.
5. The transfer of surplus property is usually transacted on a "no-charge" basis to the receiving agency. In certain instances where the property has considerable value, both parties may wish to negotiate a fair sale price.
6. The receiving agency is usually responsible for all transportation costs incurred; however, these costs may be negotiated between the parties.
7. If the property is maintained in a recordkeeping system, both agencies must adjust their records accordingly.

D. Transfers To Governmental Units Or Eligible Non-Profit Organizations

1. Governmental unit is defined by Minnesota Statute 471.59, subd. 1, which states in part:

   > "The term "governmental unit" as used in this section includes every city, county, town, school district, other political subdivision of this or another state, another state, the University of Minnesota, nonprofit hospitals licensed under sections 144.50 to 144.56, and any agency of the state of Minnesota or the United States, and includes any instrumentality of a governmental unit. For the purpose of this section, an instrumentality of a governmental unit means an instrumentality having independent policy making and appropriating authority."

   Governmental unit also includes "an Indian tribal government" (Minnesota Statute 16C.23, subd. 1).
2. Eligible non-profit organization means "any nonprofit and tax-exempt medical institution, hospital, clinic, health center, school, school system, college, university, certain Veterans organizations, homeless and low income programs or other institution organized and existing for any purpose authorized by federal law to accept surplus federal property". **These organizations must be certified eligible by Surplus Services in order to receive surplus property from any state agency.**
3. The procedures in MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard must be followed when items contain private or non-public data.
4. Transfers to governmental units or eligible non-profit organizations require approval from Surplus Services. Agencies must use a *Property Disposition Request* form to obtain approval for transferring surplus property to governmental units or eligible non-profit organizations.
5. The *Property Disposition Request* form will be evaluated by Surplus Services to determine the most appropriate means of disposition. If the property is considered to have further value to the state, it will be made available to other state agencies first.
6. The transfer of surplus property is usually transacted on a "no-charge" basis to the receiving entity. In certain instances where the property has considerable value, both parties may wish to negotiate a fair sale price.
7. The receiving entity is usually responsible for all transportation costs incurred; however, these costs may be negotiated between the parties.
8. If the property is maintained in a recordkeeping system, the transferring agency must adjust its records accordingly.

III. Property Sales

A. Sales To Public Employees

1. Consistent with Minnesota Statute 15.054, employees of the state and its political subdivisions are permitted to purchase surplus property at public auction (live or on-line) or through the sealed bid process, after proper public notice has been posted.
   a. Employees of the state and political subdivisions may purchase only one motor vehicle per auction.
   b. Any employee involved in the auction or sealed bid process is not eligible to purchase surplus property for which he/she has specific disposition responsibility.

B. Property Sales-General

1. All surplus property that has utility or monetary value, but no longer has any value to the state, must be sold. The sale of property is administered by Surplus Services. If appropriate, the agency may be authorized to sell the property locally.
2. Sales of surplus property allow agencies the opportunity to receive a return on its investment from the competitive sale of surplus items that still have good utility and dollar value and helps agencies defray the cost of new property purchases.
3. MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard must be followed when items contain private or non-public data.
4. Property sales may be conducted by public auction (live or on-line), sealed bid, pre-priced (garage) sale, or on a negotiated basis. All requests for property sales, except for recyclable property, must be authorized by and reported to Surplus Services on a *Property Disposition Request* form. **When an agency completes a sale and deposits the sale proceeds, a copy of the deposit slip should be forwarded to Surplus Services**.
5. In accordance with Minnesota Statute 16C.23, subd. 6 (3), when surplus property is sold, the net proceeds are appropriated to the agency account for which the sale was made, to be used and expended by that agency to purchase similar state property.
6. All property sales must be reported in the recordkeeping system, if applicable.

C. Live Auction Sales General

1. The live auction sale method is useful when surplus property has value, is homogeneous in nature, and has many potential buyers. Agencies should consider this method if the property is no longer required by the agency and a transfer or negotiated sale with another agency or local unit of government has been ruled out as an option.
2. This method provides state agencies and local units of government the flexibility of allowing Surplus Services to handle the sale of the property while retaining a high percentage of the return for the purchase of new or similar property.
3. To include property in the sale, the agency should notify Surplus Services at least three weeks in advance of an auction. Any requests received with less than two weeks' notice may be deferred until the next auction. Surplus Services will hold the agency responsible for settling disputes arising from non-disclosure of known faults or defects in property that is auctioned.
4. Once advertised, property can be withdrawn from an auction only under exceptional circumstances due to the impact on the public.

D. Live Auction Sales Procedures

1. Agencies must submit a *Property Disposition Request* form, including a detailed description; known defects of items to be sold; the approximate mileage and vehicle identification number if a vehicle; and the recommended disposition of "auction sale". The agency should submit the completed form three weeks prior to the auction date. Clear titles for property being sold must be submitted to Surplus Services, at the time the property is delivered for the auction. Surplus Services will determine whether or not an interest in the described property has been expressed by another agency or local unit of government. Local units of government can send a letter to Surplus Services in lieu of the form, but the same information is required. State agencies should include the accounting information necessary to deposit the proceeds into the agency's account.
2. MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and

Destruction Standard must be followed when items contain private or non-public data.

3. Surplus Services will review the *Property Disposition Request* form and if approved, will provide disposition instructions to the agency.
4. Upon approval to auction the property, the agency should clean the item, remove anything that identifies the ownership of the property, and deliver the property to the auction site according to the disposition instructions.
5. Problems arising from the auction, such as a dispute initiated by a buyer regarding failure of an agency to disclose a known fault or defect or to misrepresent the mileage of a motor vehicle, will be referred to the selling agency for resolution.
6. Upon completion of the auction, Surplus Services will notify the agency or local unit of government of the sale results, and payment will be made.
7. All property sales must be reported in the recordkeeping system, if applicable.

E. On-Line Auction Sales General

1. The on-line auction sale method is useful when the surplus property is not easily transported to a live auction site.
2. This method provides state agencies and local units of government the flexibility of allowing Surplus Services to handle the sale of the property while retaining a high percentage of the return for the purchase of new property.
3. Agencies may request an on-line auction at any time. Surplus Services will hold the agency responsible for settling disputes arising from non-disclosure of known faults or defects in property that is auctioned.
4. Once advertised, property can be withdrawn from an auction only under exceptional circumstances due to the impact on the public.
5. All property sales must be reported in the recordkeeping system, if applicable.

F. On-Line Auction Sales Procedures

1. Agencies must submit a *Property Disposition Request* form, including a detailed description; known defects of items to be sold; the approximate mileage and vehicle identification number if a vehicle; and the recommended disposition of auction sale. Any liens against property must be satisfied before the property can be considered surplus. Surplus Services will determine whether or not an interest in the described property has been expressed by another agency or local unit of government. Local units of government can send a letter to Surplus Services in lieu of the form, but the same information is required. State agencies should include the accounting information necessary to deposit the proceeds into the agency's account.
2. MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard must be followed when items contain private or non-public data.
3. Surplus Services will review the *Property Disposition Request* form and if approved, will provide disposition instructions to the agency.
4. Upon approval to auction the property, the agency should clean the item and remove anything that identifies the ownership of the property. Agencies must provide Surplus Services a detailed description and two or three good quality photos of the item in JPEG format. To sell a vehicle or trailer online, the Online Auction Vehicle Template should be completed.
5. Problems arising from the auction, such as a dispute initiated by a buyer regarding failure of an agency to disclose a known fault or defect or to misrepresent the mileage of a motor vehicle, will be referred to the selling agency for resolution.
6. Upon completion of the auction, Surplus Services will notify the agency or local unit of government of the sale results, and payment will be made.

7. All property sales must be reported in the recordkeeping system, if applicable.

G. Sealed Bid Sales General

1. Agencies should consider this method if the property is valuable, unique and is not suitable for the state auction program; and a transfer or negotiated sale with another agency or local unit of government has been ruled out as an option.
2. Some instances in which an agency might consider sealed bid sales are:
   a. when the equipment is highly technical or specialized, for which there is a limited availability of potential buyers; or,
   b. if the equipment is difficult or cost prohibitive to transport to an auction site.
3. The sealed bid sales method allows state agencies to handle the sale of their equipment and retain 100 percent of the return for the purchase of new or similar equipment.
4. Each agency must document all steps of the sealed bid sales process to ensure sales are competitive and that no individual receives an unfair advantage.
5. The Sealed Bid Sales Procedures below must be followed unless otherwise instructed by Surplus Services.

H. Sealed Bid Sales Procedures

1. The sealed bid sale process is initiated by submitting a *Property Disposition Request* form, including a detailed description of items to be sold, and the recommended disposition of the property. Surplus Services will determine whether another agency or local unit of government has expressed interest. If so, Surplus Services will facilitate discussions for potential transfer between the two agencies.
2. MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard must be followed when items contain private or non-public data.
3. Upon approval to conduct a sealed bid sale, the agency must create a bid package, using a *Surplus Property Sealed Bid* form, identifying the property to be sold, and providing detailed instructions for potential bidders, including deadlines, viewing times, minimum bid (if any), bid security (if applicable), and the date, time, and place of the public bid opening. The bid package should include a self-addressed envelope for the bidder to return their bid to the agency. The envelope should indicate "sealed bid" and the bid opening date and time.
4. At least one week prior to a sale, a public notice must occur in a newspaper or publication of general circulation in the geographic area where the sale will take place. In the case of specialized technical equipment, an effort should be made to contact potential bidders through other means, such as trade journals or publications that may be read by those parties that are more likely to bid on the type of equipment being sold.
5. Conduct the sale according to the terms set forth in the bid package and advertisement. As bids are received, the date and time received must be documented on the unopened envelope. As bids are opened, they should be recorded on a bid tabulation form identifying the bidder's name, address, and the bid amount. Bids made in pencil must be copied immediately and the date and time the copy was made must be documented. Bids that have been altered in any way must be rejected, unless the alteration or erasure is crossed out and the correction printed adjacent to the correction and initialed by the person signing the bid. The sale must be awarded to the highest responsible eligible bidder meeting all terms of the bid specification. Notice should be made in writing, with instructions on how to make payment and complete the sale.
6. Problems arising from the sale, such as failure of a successful bidder to honor the terms of the bid specifications, can be resolved by retaining bid security as forfeiture, if applicable, and awarding the sale to the next highest responsible eligible bidder. Alternatively, the matter may be turned

over to the agency's assigned Attorney General staff member or referred to Surplus Services for guidance.

7. When the sale is complete, a copy of the deposit slip referencing the number assigned on the *Property Disposition Request* form should be forwarded to Surplus Services.
8. All sales must be recorded in the recordkeeping system if applicable.

I. Pre-Priced Sales General

1. When it is not feasible to dispose of surplus property by the other methods outlined, an agency may be authorized to conduct an on-site pre-priced sale. This prevents the build-up of surplus property over the long term and allows the agency to deposit proceeds from these sales directly to their accounts. The method also promotes community relations by allowing the public in the local community where the agency is located to acquire surplus items at a reasonable price.
2. The procedures in MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard must be followed when items contain private or non-public data.
3. Consistent with Minnesota Statute 15.054, employees of the state and its political subdivisions are not permitted to purchase surplus property from the pre-priced sale process.
4. Typically, property that is considered for pre-priced sales includes, but is not limited to all types of furniture, tables, chairs, desks, wardrobes, cabinets, office equipment, machines and supplies, typewriters, calculators, small hand tools, electrical supplies, plumbing supplies, hardware items, kitchenware, cooking utensils, dishes, cameras and equipment, video equipment, tires, musical instruments, automotive parts and accessories, building materials and any other items considered appropriate by Surplus Services.
5. Items are typically sold at auction or by sealed bid, but may be approved for the pre-priced sale method on a case-by-case basis.

J. Pre-Priced Sales Procedures

1. Agencies must submit a *Property Disposition Request* form listing surplus items for pre-priced sale to Surplus Services. This list can be organized by categories of items, such as listing the total quantity of tables or total quantity of type of chairs.
2. MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard must be followed when items contain private or non-public data.
3. State agency staff has the latitude to determine scheduling and campus location of the pre-priced sale, giving consideration to accessibility, security, weather, staff limitations, and quantity of items to be sold. The proposed schedule should be included on the original request.
4. Pricing the surplus items for the sale can be done any time prior to sale day. The fair market value should be considered, however, items should be "priced to sell" so that the agency does not have to continue storing the items. Surplus Services will assist any agency requesting help in making price determinations.
5. At least one week prior to sale, an ad must be placed in the local community newspaper or other public media announcing the date, time, and location, and listing a small sampling of sale items.
6. All property sales must be reported in the recordkeeping system, if applicable.
7. When the sale is complete, a copy of the deposit slip referencing the number assigned on the *Property Disposition Request* form should be forwarded to Surplus Services.

K. Negotiated Sales

1. If it is not feasible to sell property by the auction, sealed bid or pre-priced sale process, and if it is

deemed most advantageous to the state, sales may be negotiated, but must not exceed $5,000 for any one sale. So far as practical, negotiated sales shall be based on at least three competitive bids. All negotiated sales must receive prior approval from Surplus Services.

2. Consistent with Minnesota Statute 15.054, employees of the state and its political subdivisions are not permitted to purchase surplus property through the negotiated sale process.
3. When a state agency has surplus property for sale and is contemplating a negotiated sale, a *Property Disposition Request* form must be submitted to Surplus Services. Surplus Services will review the potential transaction and if deemed most advantageous to the state, will authorize the transaction.
4. All property sales must be reported in the recordkeeping system, if applicable.
5. When the sale is complete, a copy of the deposit slip referencing the number assigned on the *Property Disposition Request* form should be forwarded to Surplus Services.

L. Building Sales

Minnesota Statute 16B.24, Subd. 3 provides for the disposal of state buildings, which states: *The commissioner, upon request of the head of an agency which has control of a state-owned building which is no longer used or which is a fire or safety hazard, shall, after obtaining approval of the chairs of the senate Finance Committee and house of representatives Ways and Means Committee, sell, wreck, or otherwise dispose of the building. In the event a sale is made the proceeds shall be deposited in the proper account or in the general fund.*

In accordance with the above statute,

1. An agency that has custodial control of a building that is surplus to their needs should make a request to the Commissioner of Administration, through Surplus Services or Real Estate and Construction Services (RECS), to sell, wreck or otherwise dispose of the building.
2. If a building has a value under $50,000.00, the request is processed through the Department of Administration, Surplus Services. If the building has an estimated value of $50,000.00 or more, the request is processed through the Department of Administration, RECS. Contact RECS if assistance is needed in estimating a building value.

Note: These processes are utilized only when a building is being disposed of and not the land upon which it is placed.

VALUE UNDER $50,000.00 - Surplus Services process

1. An agency must complete a *Property Disposition Request* form and return it to Surplus Services along with:
   a. supporting documentation of the property value, such as an appraisal or county assessor's determination of value, or other agency documentation. (Note: The agency having custodial control of the property is responsible for determining the value.)
   b. as much of the following information as possible:
      1) building location,
      2) building description, including photos of building and building identification (if any),
      3) building square footage, including floor plans and site surveys,
      4) how the building was acquired, including the amount of any general obligation bond appropriations used to acquire or improve the building),
      5) description of any capital improvements were made in the past ten years,
      6) copies of any building condition reports, environmental reports and hazardous material (e.g., asbestos) surveys,

7) disclosure as to whether the building is on the National Register of Historic Places or locally designated as historic,
8) agency contact name, phone number and email address.
9) any other applicable information.

2. Surplus Services will assign a file identification number for under $50,000 that will be used by all parties involved with the disposition.

3. Surplus Services will send the approved *Property Disposition Request* form to the agency, instructing them of the approved disposition process.

4. Upon receipt of the approved *Property Disposition Request*, the agency may proceed to dispose of the building in accordance with the approved disposition process. Information on the process for on-line auction and sealed bid sales can be obtained at the following website: http://mn.gov/admin/government/surplus-property/auctions/.

5. When the agency completes the sale and deposits the sale proceeds, **a copy of the sales record and deposit slip must be forwarded to Surplus Services.**

6. If a building was unable to be sold via an on-line auction or sealed bid, the agency must submit a new *Property Disposition Request* requesting demolition.

7. If approval was granted to proceed to demolition without offering the building for sale, the agency may demolish the building in accordance with applicable law. The agency should complete and submit a Project Initiation Form (PIF) along with the approved Property Disposition Request to the RECS Construction Program Manager. The PIF should include funding information and project cost. If the project cost is unknown, a minimum of $5,000 should be encumbered until project costs are known.

VALUE OVER $50,000.00 – Real Estate and Construction Services (RECS) process

1. In keeping with Minnesota Statute 16B.282, Subd. 1, if a building has a value of $50,000.00 or more, an agency should contact RECS to contract for an appraisal to determine building value. The agency having custodial control of the building will incur the cost of the appraisal.

2. RECS will send the agency a *Property Disposition Request* form to complete. The agency should return the completed form to RECS, along with as much of the following information as possible:
   a. building location,
   b. building description, including photos of building and building identification (if any),
   c. building square footage, including floor plans and site surveys,
   d. how the building was acquired, including the amount of any general obligation bond appropriations used to acquire or improve the building),
   e. description of any capital improvements were made in the past ten years,
   f. copies of any building condition reports, environmental reports and hazardous material (e.g., asbestos) surveys,
   g. disclosure as to whether the building is on the National Register of Historic Places or locally designated as historic,
   h. agency contact name, phone number and email address. And personnel should be included, and
   i. any other applicable information.

3. RECS will request approval of the chairs of the Senate Finance Committee and House of Representatives Ways and Means Committee to sell, wreck or dispose of the building.

4. RECS will send Surplus Services the *Property Disposition Request* for approval and to assign a file identification number for disposition after receipt of approvals from the chairs.

5. RECS will send the approved *Property Disposition Request* form and the approval letter from the chairs to the agency.

6. Upon receipt of the approved *Property Disposition Request* the agency may proceed to dispose of the building in accordance with the approved disposition process. Information on the process for on-line auction and sealed bid sales can be obtained at the following website: http://mn.gov/admin/government/surplus-property/auctions/.

7. If a building was unable to be sold via an on-line auction or sealed bid, or approval was granted to proceed to demolition without offering the building for sale, the agency may demolish the building in accordance with applicable law. The agency should complete and submit a Project Initiation Form (PIF) to the RECS Construction Program Manager. The PIF should include funding information and project cost. If the project cost is unknown, a minimum of $5,000 should be encumbered until project costs are known. The PIF can be obtained at the following website: http://mn.gov/admin/government/real-estate/index.jsp .

8. The RECS Construction Program Manager (or delegated authority) assigns a Project Manager (PM) to the demolition project and emails the name of the PM and the PIF to RECS Accounting and all stakeholders including Agency contacts.

9. The RECS PM contacts the Agency/Facility and gathers any information associated with the building and in coordination with the Agency, determines the scope of work.

10. The RECS PM prepares an RFP scope of work to enter into a contract with an architectural/engineering (A/E) firm to prepare demolition bidding documents. In determining the scope of work, the following items need to be addressed:

    a. Historical status/significance:
    If not previously known by the Agency, the RECS PM determines if the building is on the National Register of Historic Places. This can be determined by going to the Minnesota Historical Society's website at: http://nrhp.mnhs.org/NRSearch.cfm and conducting an online search of the National Register; or, by contacting the State Historic Preservation Office (SHPO) at http://www.mnhs.org/shpo/nrhp/index.htm. If the building is on the National Historic Register, SHPO will need to be consulted regarding the disposal of the building based on their procedures for alterations or demolition of historic buildings. Thus, the RFP and contract should include the services of a Historic Preservationist sub-consultant in order to facilitate SHPO's review process and to prepare a Historical American Building Survey (HABS) survey and/or Archeological Survey.

    b. Requirement for a State Environmental Assessment (EAW).
    To make this determination, go to the guidelines or contact the State's Environmental Quality Board: http://www.eqb.state.mn.us/program.html?Id=18107 . Additionally, if the demolition work is funded by federal dollars, or if required due to the building being on the National Register of Historic Places, a National Environmental Protection Act (NEPA) Environmental Assessment may be required. If a State EAW or a federal NEPAEA is/are required, the RFP

and contract should contain the services of an Environmental Engineering firm to facilitate and prepare the required assessments.

c. Hazardous Materials Demolition Survey and abatement: test

The RECS Hazardous Materials Contract Specialist contacts an Industrial Hygiene Vendor who holds a Master Contract with the State/RECS and requests a proposal and fee amount for conducting a Hazardous Materials Demolition Survey.

i. If the fee for the Demolition Hazardous Materials Survey and testing work exceeds $25,000, the RECS Hazardous Materials Specialist must contact another Industrial Hygiene company to obtain a second cost proposal.
ii. RECS accounting contacts the Agency to obtain any additional funding if amount on PIF is insufficient.
iii. The Vendor performs the work and delivers copies of the completed Abatement Survey to the RECS Hazardous Materials Contract Specialist. The RECS PM and Agency are also provided a copy of the survey.
iv. If the survey reveals extensive presence of hazardous materials, the project will require bid documents to be prepared for Hazardous Materials removal and RECS will arrange for a licensed abatement designer to prepare the bid documents. This will be a separate contract from the Architectural/Engineering firm that is hired to prepare the demolition bid documents. The A-E firm will coordinate their design with the abatement design consultant.
v. The RECS HazMat Contract Specialist will obtain cost estimates for all abatement design and removal work.

NOTE: The Agency is not to salvage any materials from the building until a hazardous materials demolition survey has been completed to determine the extent and location of hazardous materials.

11. The RECS PM coordinates the work of the A-E design consultant, Historical Preservationist, Environmental Engineer(s) and facilitates their coordination with the Hazardous Materials abatement designer.

12. Following any required historical documentation and environmental assessments, along with SHPO, federal and EQB approvals, the RECS Hazardous Materials Contract Specialist facilitates the bidding of the abatement removal documents and after contract award, the abatement contractor proceeds with work to remove the hazardous materials from the building.

13. After the hazardous materials are removed, and the A-E demolition bid documents are completed, the RECS PM facilitates bidding of the demolition.

a. When applicable, the demolition project specifications shall include requirements to comply with Minnesota Statute 16B.327 which states:
"The commissioner shall require in contracts for the construction, renovation, or demolition of a state building that the contractor and any subcontractor must divert from deposit in a landfill and must recycle at least 50 percent of the nonhazardous construction and demolition waste, measured by tonnage or volume, produced by the project or demonstrate that the waste was delivered to construction and demolition

waste recycling facilities that maintain a 50 percent annual recycling rate. This requirement applies to a project to construct, renovate, or demolish a state building that receives funding from the bond proceeds fund after January 1, 2011, provided that:

(1) the project is located within 40 miles of a construction and demolition waste recycling facility that meets the requirements of this section and can process the applicable building materials; and

(2) for construction and renovation projects, funding from the bond proceeds fund is $5,000,000 or more."

b. *The State of Minnesota Sustainable Building Guidelines* apply to any project funded by bond proceeds wherein demolition is associated with renovation projects of 10,000 square feet or more, or demolition that includes new construction. In this case, the project specifications must require the contractor to divert 75% construction and demolition waste from landfill and divert at least 75% (by weight) construction, demolition, and land clearing debris from landfill disposal. See the guideline requirements at http://www.msbg.umn.edu.

14. Demolition proceeds upon award of contract and Notice To Proceed.

15. The RECS PM keeps the agency updated on the status and funding needs throughout the demolition process.

IV. Lost or Abandoned Property

Minnesota Statute 16B.25, governs the disposal of lost or abandoned property on state lands, highways, or in buildings owned by the state.

All unclaimed lost or abandoned property must be disposed of consistent with the statutory requirements for the type of property.

Section 9 - Employee-Owned Personal Property in the Workplace

The *State Employee's Personal Property* form is designed to protect the State of Minnesota against claims for injury, damage or loss incurred in connection with the voluntary use of employee-owned property. When a physical inventory or spot check is conducted, this form verifies ownership of employee personal property. When an employee separates from the work location, this form serves as proof of ownership when property is removed from the work location.

Employee-owned property relates to items not purchased by the state. The items are brought into the workplace by employees and are their responsibility. Employees are responsible for maintaining a list of their employee-owned property in the workplace. When listing this property, the employee should consider items that the employee would want to take with them upon departure from the work location. Generally, items with a nominal value of $25.00 or less are considered immaterial for tracking purposes and should not be listed. However, it is at the employee's discretion what is included in the list of employee-owned property.

After the form is completed and signed by the employee and the employee's supervisor, one copy is sent to the inventory coordinator/sub-coordinator, a copy is retained by the supervisor, and a copy is kept by the employee.

When the employee leaves state employment or transfers to another state agency, the employee's supervisor should verify that the correct property has been removed by the employee or designee. The employee's supervisor should sign the form and forward it to the agency's inventory coordinator.

See form on page 10-7.

Section 10 – Forms

Agreement to Take State-Owned Property Out of the Workplace - http://mn.gov/admin/images/AgreementStatePropOutOfWorkPlace.doc
Gift Acceptance Form - http://mn.gov/admin/images/GiftForm.docx
Intra-Agency Transfer - http://mn.gov/admin/images/IntrAgencyTransfer.docx
Property Disposition Request - http://mn.gov/admin/images/Surplus_Property_Disposition_Request.doc
State Employee's Personal Property - http://mn.gov/admin/images/Surplus_StateEmployeePersonalProperty_Form.pdf
Stolen, Lost, Damaged, or Recovered Property Report - http://mn.gov/admin/images/Surplus_StolenLostDamaged_Report.doc
Surplus Property Sealed Bid Form - http://mn.gov/admin/images/Surplus_Sealed_Bid_Form.doc
Bid Tabulation Sheet - http://mn.gov/admin/images/BIDTABULATIONSHEET.docx

Agreement to Take State-Owned Property Out of the Workplace

Department of Administration

Fleet & Surplus Services

Agreement to Take State-Owned Property Out of the Workplace

Department/Division	Employee/Contractor	Phone
Work Address		
Location where property will be used		
Address		Phone
Property		

Property Description	Asset Number	Serial Number

Terms of Agreement

State agencies may provide, at their sole discretion, computer hardware equipment, software and telephone service deemed necessary to perform assigned work off-site. State agencies must maintain a record of the state-owned hardware, software, and other property located in the alternate work location. State agencies are responsible for installation, testing, maintenance, and repair of the equipment and upgrades of software when employees use state-owned property. Property furnished by state agencies remains the property of the state and is subject to the same business use restrictions. Non-owned software shall not be installed on state-owned hardware. Employees must return state-owned property to the assigned office when no longer needed for work-related use, when they depart from the division, or when requested by management. Employees are responsible for promptly notifying their supervisor of any malfunction or failure of state-owned property. All property provided by the State for use outside the workplace are for purposes of conducting state business and may not be used for personal purposes by the employee or non-state employees.

My signature indicates that I have read and accepted the terms specified above as well as any related state laws and department policies regarding property used outside the workplace.

Employee/Contractor Date

Manager/Supervisor Date

Division Director Date

Original to Supervisor, Copy to Employee and Inventory Coordinator/Sub Coordinator

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Department of Administration ★ Fleet & Surplus Services ★ 5420 Old Highway 8 ★ Arden Hills, MN 55112
651-639-4022 ★ TTY: MN Relay Service 1-800-627-3529 ★ Fax 651-639-4026 ★ www.mnsurplus.org ★ Email: surplus.services@state.mn.us

MINNESOTA ACCOUNTING AND PROCUREMENT SYSTEM

Gift Acceptance Form

Department of Finance
400 Centennial Building
658 Cedar Street
St. Paul, MN 55155
Phone: (651) 296-5900
Fax: (651) 296-8685

SUBMIT TO:
Treasury Division
#303 Administration Building
50 Sherburne Avenue
St. Paul, MN 55155
Phone: (651) 296-7091
Fax: (651) 296-8615

Pursuant to Minnesota Statutes Section 7.09 as amended (and agency-specific statutes),

Donor's Name (please print)	Donor's Signature
Donor's Address	City, State, Zip Code
Donor's Phone Number	

Offers the State of Minnesota the following: (describe the gift, conditions, and purpose--attach additional information if necessary).

I, the Agency Head (or Agency-authorized Representative), request approval to accept the above gift. The Agency Head is required to sign below. The State of Minnesota will not be obligated in any way by acceptance of this gift.

Agency Head's Signature	Agency	Date

I, the Commissioner of Finance of the State of Minnesota, hereby have determined that it is in the interest of the state to approve and accept this gift.

Authorized Signature	Date

DISTRIBUTION: Agency (original), Treasury Division and the donor (copies).

Intra-Agency Transfer

Section 1: Effective Date of Transfer _____ *(mm/dd/yy)*

Section 2: Intra-Agency Transfer :

Transferred From_____

Transferred To _____

Section 3: Description

Asset #	Description (Include Serial #, Model #, PO # and any other identifiers)	Location	Book Value

Section 4: Comments or Explanation of Transfer

Section 5: Transfer Authorization (Sending Unit) I certify that this is state-owned property and is not subject to any lien, restriction or other encumbrance.	**Section 6: To Be Completed By Receiving Unit**
Signature:	Signature:
Title:	Title:
Phone #:	Phone #:
Date Shipped:	Date Received:
Asset Coordinator Signature:	Asset Coordinator Signature:
Date:	Date:

Copies of the completed form must be retained by the sending and receiving asset coordinators.

Property Disposition Request

Department of Administration

Fleet & Surplus Services

Property Disposition Request

Email completed form to surplus.services@state.mn.us or fax to 651-639-4026.

Department/Agency:	Division:	Section:	Date:
Address:	City, State, Zip Code:	Contact Person:	Phone:

Recommended Disposition: ☐ To Surplus Services ☐ Transfer ☐ Sale ☐ Recycle/ Scrap ☐ Other

Other Instructions:

General use classification of property: **(See page 2 if any items are computers with hard drives)**

Item	Quantity	Complete Description*	Condition	Estimated Value	Desired Price

Speed Type

*Asset number, weight, dimensions, vehicle identification number, ect.

I certify that this is state-owned property and is not subject to any lien, restriction or other encumbrance.

Fin Dept	
Fund	
Account	
Sub	
Appr ID	
Project ID	
PC Bus. Unit	

Authorized Signature Title Date

Surplus Services Use Only

	Disposition Date:
	Funds Deposit Date:
	Surplus Services Authorization:

Department of Administration ★ Fleet & Surplus Services ★ 5420 Old Highway 8 ★ Arden Hills, MN 55112
651-639-4022 ★ TTY: MN Relay Service 1-800-627-3529 ★ Fax 651-639-4026 ★ www.mnsurplus.org ★ Email: surplus.services@state.mn.us

Certification of Data Removal from Surplus Computers

Hard drives of surplus computers must be sanitized in accordance with
OET Sanitization and Destruction Standards 6/01/2010.

	Computer Serial Number	Software Used
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		

I hereby certify that the computers identified above have had the hard drive sanitized in accordance with the OET Sanitization and Destruction Standards.	
Name	Date
Signature	Agency

Department of Administration ★ Fleet & Surplus Services ★ 5420 Old Highway 8 ★ Arden Hills, MN 55112
651-639-4022 ★ TTY: MN Relay Service 1-800-627-3529 ★ Fax 651-639-4026 ★ www.mnsurplus.org ★ Email: surplus.services@state.mn.us

State Employee's Personal Property

Department of Administration

Fleet & Surplus Services

State Employee's Personal Property

Employee's Name			Title/Classification
Department/Division			Location/Address
Quantity	Item	Complete Description (manufacturer, serial number, color, etc.)	

(Continue listing on additional pages if needed.)

Check the appropriate box below, then sign and date the form.

☐ I have brought the above item(s) to my work as stipulated in the terms and conditions of my employment.

☐ I have voluntarily brought the above items(s) to my area of employment. I recognize that the State of Minnesota assumes no responsibility for these items or for any damages thereto by other state employees, patients, residents or inmates, except as provided by law.

I will update this list if there are any additions or deletions to it at any time.

Employee's Signature _____ Date _____ Supervisor's Signature _____ Date _____

REMOVAL OF PROPERTY: The employee's supervisor must sign this form verifying that the listed items have been removed from the place of employment upon the employee's transfer, resignation or termination.

I certify that the employee listed above has removed his/her personal property from this office.

Supervisor's Signature _____ Date _____

WHEN TO USE THIS FORM

An employee should complete this form for an personal items brought to his/her place of employment of a pilferable nature for which a conflict over ownership may arise when the employee seeks to remove the items. Items which are brought into the place of employment for long-term use must be recorded on this form. In addition, items of equipment brought in the place of employment for short periods of time on a frequent basis must also be recorded. Personnel who live in the state-provided housing with state furnishings are required to complete this form for all personal items brought into the housing. Department personnel are responsible for maintaining inventories of all state-provided furnishings in these residences and to take inventory of these items after employees have vacated the premises.

Distribute one copy of this form to the Agency Coordinator, one to the Supervisor, and one copy to the Employee.

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Department of Administration ★ Fleet & Surplus Services ★ 5420 Old Highway 8 ★ Arden Hills, MN 55112
651-639-4022 ★ TTY: MN Relay Service 1-800-627-3529 ★ Fax 651-639-4026 ★ www.mnsurplus.org ★ Email: surplus.services@state.mn.us

Stolen, Lost, Damaged or Recovered Property Report

Admin Minnesota
FLEET AND SURPLUS SERVICES

Department of Administration
Fleet & Surplus Services

Stolen, Lost, Damaged or Recovered Property Report

Department	Division	Section	Date / /
Address		Telephone	

Nature of report:	☐ Stolen ☐ Lost ☐ Damaged ☐ Recovery	If damaged or stolen, how?	☐ Vandalism ☐ Burglary (break-in) ☐ Theft ☐ Other _____

Work unit and/or individual's name property was assigned to	Date of loss / /	Time of loss, if known ☐ A.M. ☐ P.M.

Property Description

Inventory Number	Purchase Date	Detailed description, including serial number	Estimated Value
	/ /		$
	/ /		$
	/ /		$
	/ /		$
	/ /		$
	/ /		$
	/ /		$
		Total Value of Loss	$

In the space below, describe the circumstances surrounding the loss or recovery (e.g., how, where, suspects). Please be specific.

Person responsible for seeking possible restitution or replacement:

Name	Address	Phone Number

Has a Property Disposition Request been submitted? ☐ Yes ☐ No	Report completed by:	
	Signature	Phone:
	Title:	
If loss is criminal in nature, identify the Police or Sheriff's office the incident was reported to below (include address and telephone number):	Report approved by:	
	Signature	Phone:
	Title:	

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Department of Administration ★ Fleet & Surplus Services ★ 5420 Old Highway 8 ★ Arden Hills, MN 55112
651-639-4022 ★ TTY: MN Relay Service 1-800-627-3529 ★ Fax 651-639-4026 ★ www.mnsurplus.org ★ Email: surplus.services@state.mn.us

Surplus Property Sealed Bid Form

Submit your completed bid ON THIS FORM, using the enclosed envelope

Selling Agency:	**Return Bid To:**
Agency Contact Person:	**Address:**
Agency Contact Phone:	**City, State, Zip:**
Location of Items:	**Inspection Date:**
	Inspection Time: **Central Time**
Date Issued:	**Bid Due Date:**
Property Disposition Request Number:	**Bid Due Time:** **Central Time**

The estimate of quantity or weight of the various items listed below is for the general guidance of bidders and the State assumes no responsibility for any variance therefrom. The State makes no warranty as to the fitness or condition of said items and the purchaser bidding agrees to purchase said items as-is, where-is, and in compliance with all terms and conditions stated in the bid.

The State reserves the right to accept or reject any or all bids or arts of bids and to waive informalities therein. A bid containing an alteration or erasure of any price contained in the bid which is used in determining the highest responsible bid shall be rejected, unless the alteration or erasure is crossed out and the correction thereof printed in ink or typewritten adjacent thereto and initialed in ink by the person signing the bid.

It is agreed that certified checks, cashier's checks, or money orders of successful bidder submitted with the bid will constitute liquidated damages for failure of bidder to enter into contract in accordance with this bid.

Sealed bids must be received and time stamped no later than the date and time indicated above, at which time bids will be publicly opened.

Bid is made on the basis of bidder's personal inspection of the items listed below and bidder's knowledge of all conditions. **All items are sold as-is, where-is.**

Bid security in the form of a certified check, cashier's check, or money order made payable to _____(Department) for the full amount of this bid must be enclosed with the bid, unless this requirement is specified in detailed instructions.

The successful bidder must remove the awarded item(s) within 10 days after receipt of a letter of award or as specified in detailed instructions.

Bidder agrees for and on behalf of bidder, bidder's heirs, successors and assigns that bidder shall indemnify and hold the State harmless from and against any claim, demand or cause of action arising or alleged to have arisen out of the sale or failure to sell any item including claims for personal or bodily injury, death, or contract damages.

Item No.	Description	Quantity	Unit	Unit Price	Total

ALL ITEMS SOLD AS-IS-WHERE-IS	**Total Amount of Bid**	
	Add ____% State Sales Tax*	
*Or Provide Sales Tax Exemption _____ **City or County Sales Tax, if appropriate	**Add ____% Local Sales Tax****	
SUBMIT BID IN THE ENCLOSED ENVELOPE	**Grand Total**	

_____ _____ _____
Bidder's Printed Name Signature (in ink) Date

_____ _____ _____ _____ _____
Street Address City State Zip Code Phone Number

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BID TABULATION SHEET
SURPLUS PROPERTY SEALED BID SALE

Date Bid: _____ Bid Due Date: _____

Bidder	Company Name	Contact person	Phone Number	Date Bid Received	Bid Security Received	Bid Security Amount
A						
B						
C						

				Bidder A		Bidder B		Bidder C	
Item	Full Description of Item	Quantity	Unit	Unit Price	Total Price	Unit Price	Total Price	Unit Price	Total Price
1									
2									
3									
4									
5									
6									
7									
8									

Bidder to be Awarded Bid: _____ Signature: _____ Date: _____	Documentation:

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Section 11 - Other Pertinent Information

Minnesota Records Retention Schedule 014-037
Statewide and Financial MAPS Policies
SWIFT Quick Reference Guides
FAQ - Frequently Asked Questions

Records Retention Schedule

Retention Schedule 014-037 replaces Fixed Assets Records Retention Schedule 02-136 (Admin Informational Bulletin 02-15) and State Property Management (other than real property) Records Retention Schedule (Admin Informational Bulletin 06-02).

1. Schedule Number 014-037 **Date** 11/19/2013	**2. New** **Revision of 02-136 and 06-056**	**MINNESOTA RECORDS RETENTION SCHEDULE**
3. Agency Administration	**4. Division/Section** State agencies	**6. Page** 1 **of** 2
5. Address 200 Administration Building 50 Sherburne Ave, St. Paul, MN 55155		See attached page(s) for records description

7. *For Use By Records Panel Only*

AUTHORIZATION: Under the authority of M.S. 138.17, it is hereby ordered that the records listed on this application be disposed per approved schedule.	Notice: This retention schedule has been reviewed by the State Records Disposition Panel in accordance with Minnesota Statutes 138.17. The records listed on this schedule have been reviewed for their historical, fiscal, and legal value.
8. Agency Records Management Officer (signature) Curtis Yoakum **Date** 11/13/2013	**11. Minnesota Historical Society, Director** Charles Gardner **Date** 20 Nov 2013
9. Type Name / Phone Curtis A. Yoakum/651-201-2771	**12. Legislative or State Auditor** Jim Nobe **Date** 11/27/13
10. Agency Head or Designee (signature) **Date** 11/13/13	**13. Attorney General** Peter Nolte **Date** 12/15/13

Original-State Records Disposition Panel

Copy 1-Agency (after approval)

Form Version: 21 July 2003; Revised April 2008

1. Schedule No.	3. Agency Administration	4. Division/Section: State Agencies	6. Page _2__ of _2__

14. Item No.	15. Record Series Title and Description	16. Retention Instructions	17. Statute	18. Vital? (Yes/no)	19. Archival? (Yes/no)
1	Physical Inventory and Spot Check Records	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No
2	Department/Agency Internal Stock Records	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No
3	Perpetual Inventory Records	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No
4	Inventory Distribution Records	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No
5	Inventory Audit Records	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No
6	Property Disposition Requests (including Data Removal Certification)	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No
7	Sealed Bid Records (from sale of surplus property)	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No
8	Stolen, Lost, Damaged, or Recovered Property Reports and supporting documentation	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No
9	State Employee Personal Property Records	Retain until property is removed from agency.		No	No
10	Inter-Agency and Intra-Agency Property Transfer Records	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No
11	Construction-in-Progress Records	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		Yes	No
12	Land Records	Permanent record retained by owner.		Yes	No

1. Schedule No.	3. Agency Administration	4. Division/Section: State Agencies	6. Page _2__ of _2__

13	Building Inventory Records	Permanent record retained by owner.		Yes	No
14	SWIFT Assets Records	Retain until asset is disposed of by the agency plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).		No	No

Audit Note: Current year refers to current fiscal year. Audit refers to one conducted by the Legislative Auditors. However, a legislative audit does not supersede audit requirements of specific programs. Example: The Legislative Auditor may audit an agency's Federal funds, yet the Federal government may have its own audit requirements. In such cases, the records are retained until the requirements of the specific programs are met.

Additional References

Statewide Financial and MAPS Policy 0102-01, *Internal Control for Accounting Processes*
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0102-01-internal-control-policy.pdf

Statewide Financial and MAPS Policy 0106-01, *Capital Asset Reporting*
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0106-01-capital-asset-reporting-policy.pdf

Statewide Financial and MAPS Policy 0106-09, *Equipment Reporting*
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0106-09-equipment-policy.pdf

Statewide Financial and MAPS Policy 0106-02, *Land Reporting*
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0106-02-land-improvements-policy.pdf

Statewide Financial and MAPS Policy 0106-03, *Building Reporting*
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0106-03-buildings-improvements-policy.pdf

Statewide Financial and MAPS Policy 0106-04, *Construction-In-Progress*
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0106-04-construction-in-progress-policy.pdf

Statewide Financial and MAPS Policy, 0106-05, *Development-In-Progress*
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0106-05-development-in-progress-policy.pdf

Statewide Financial and MAPS Policy 0106-06, *Infrastructure Reporting*
http://mn.gov/mmb-stat/documents/accounting/fin-policies/chapter-1/0106-06-infrastructure-policy.pdf

MN.IT's Office of Enterprise Technology, Enterprise Security Information Sanitization and Destruction Standard
http://mn.gov/oet/images/SEC_S_Information_Sanitization_and_Destruction.pdf

All Statewide policies can be found at http://mn.gov/mmb/accounting/state-financial-policies/.

FAQs – Frequently Asked Questions

1. ***When do I have to complete a Property Disposition Request?***
   A *Property Disposition Request* form must be completed anytime you are disposing of state property with utility or monetary value excluding intra-agency transfers.

2. ***My state agency is allowing consultants/contractors to use state property for their work. How should this be handled?***
   Outside consultants/contractors may use state property for state work only when allowed by the terms of the contract. To use the property offsite, the contract should identify the state-owned property, require that the state-owned property be returned to the state per the contract terms, or upon the termination/expiration of the contract. Contract terms must state that inappropriate use of such state-owned property is prohibited.

3. ***How do I know if a capital asset is hazardous and if is it, who do I contact to get rid of it?***
   The Pollution Control Agency maintains a website with information pertaining to hazardous waste at http://www.pca.state.mn.us/waste/pubs/business.html#checklist. For assistance with disposal, refer to the MMD contracts for hazardous materials/recycling.

4. ***Are public employees permitted to buy surplus property for personal use?*** Employees of the state and its political subdivisions can purchase surplus items at public auction or through the sealed bid process. Public employees may purchase only one motor vehicle per auction. Employees of the state and its political subdivisions are not permitted to purchase any pre-priced items at the surplus distribution facility or other state sales. See M.S. 15.054.

5. ***My agency is looking for equipment, is my agency eligible to acquire items from the surplus property program? Where is the property located and how can we obtain it?***
   Organizations eligible to participate in the surplus property program include state and local governments and eligible nonprofit organizations providing community services. Surplus property is generally disposed of through the surplus services warehouse facility in Arden Hills, MN, but in some instances items may be located at the disposing agency. State agencies may also view available property through the surplus exchange program on our website. Federal property can be viewed online through GSA. Please contact Surplus Services eligibility personnel at 651-639-4022 to see if your agency is currently enrolled in the program.

6. ***Can I donate surplus items to my local church, Eagles Club, employee etc?***
   Organizations must meet the eligibility requirements to receive state property. Nonprofit organizations (IRS 501 designation) have very specific eligibility criteria depending on the services provided, not the nonprofit status. Please contact the surplus office to see if the organization is currently enrolled in the program. For specific eligibility requirements, you may contact Surplus eligibility personnel at 651-639-4022 or download the information and forms from our web site.

7. ***When is the next auction?***
   Live auctions are generally scheduled from March through November and are published on the web at http://mn.gov/admin/government/surplus-property/auctions/schedule/index.jsp

   On-line auctions can occur anytime and are published on the web at https://www.minnbid.org/secure/default.aspx