



# STATE OF MINNESOTA PROPERTY MANAGEMENT

## A USER'S GUIDE TO MANAGING:

- **Capital Assets**
- **Software for Internal Use Only**
- **Infrastructure**
- **Sensitive Items**
- **Consumable Inventory**
- **Supplies**
- **Surplus Property**
- **Employee-owned Property in the Workplace**
- **Non-State Property in the Workplace**

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# INTRODUCTION

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## Values of an Effective Property Management Program

This user's guide has been prepared to serve as a management tool for agencies of the State of Minnesota. Its purpose is to provide guidance for the efficient and effective use of state capital assets, software for internal use only, infrastructure, sensitive items, consumable inventories and supplies. This user guide 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 user's 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. 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 MMD Help Line (phone: 651-296-2600 or e-mail: [mmdhelp.line@state.mn.us](mailto:mmdhelp.line@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 establish departmental policies to account for property acquired for use in a work location and off-site that are consistent with the revised statewide policy, *Property Management Reporting and Accountability* (refer to [Admin Informational Bulletin 03.19](#), dated October 9, 2003, at [http://www.admin.state.mn.us/property\\_management.html](http://www.admin.state.mn.us/property_management.html)). Agencies must ensure that internal controls are sufficient to provide reliable financial and operation information; comply with policies and procedures, plans, laws, rules and regulations; and assure that assets are safeguarded.

Recognizing that some state agencies have special needs, this guide allows discretion in the adoption of internal policies and procedures and the design of systems and records within the guide's parameters.

This user's guide supplements the revised statewide policy, [Property Management Reporting and Accountability](#) and various capital asset financial reporting policies (refer to [MAPS Operating Policy and Procedures 0106-00 through 0106-06](#)). This user's guide supercedes all previously published user's guides on state personal property management.

## Property Management

### Definition of Key Personnel

1. **Inventory coordinator/subcoordinator** – 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 pays vendor invoices** – This person matches the order documentation to the packing slip (or substitute receiving form) 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 policies and procedures, and designate a minimum of one person as the agency inventory coordinator. It is advisable for larger agencies to appoint subcoordinators for each major activity or division.

The agency should communicate the agency inventory coordinator's name and contact information (e.g. mailing address, telephone number, fax number, and e-mail address) to the Department of Finance annually by June 30. In addition, Finance requires each agency to provide the name and contact information for either the Accounting Coordinator or the manager with direct oversight responsibility for the agency's property management system. Agencies are responsible for notifying Finance of any changes in the agency inventory coordinator designation and contact information. Finance and MMD use the list of agency inventory coordinators' names and mailing addresses for distribution of property management policy revisions and other pertinent information.

In addition, for financial reporting purposes, agencies are required annually to report accurate, complete, and timely capital asset information to the Department of Finance (Finance) pursuant to [MAPS Operating Policy and Procedure 0106-00, Capital Asset Reporting](#).

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

1. Designing and preparing written documentation for agency/division inventory policies and procedures according to [Admin Informational Bulletin 03.19, MAPS Operating Policy and](#)

[Procedures 0106-00 through 0106-06](#) and this user's guide, and designing forms to facilitate reporting inventory changes.

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.
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 and by soliciting the cooperation of all personnel to ensure effective reporting of inventory changes.
6. Arranging for the proper disposal of property surplus to the agency's needs and removing property from inventory record keeping systems.

## Distribution and Revisions

**Initial distribution** – This user's guide will be initially distributed to all agency inventory coordinators or agency heads, if there is no designated agency inventory coordinator. Copies of this user's guide and the most recent version of any forms can be found at the Department of Administration's Materials Management Division (MMD) Internet site:

<http://www.mmd.admin.state.mn.us/propmanagement.htm>.

Each page of this user's guide will have the date printed, the date of formal publication, a section title, and page number.

**Distribution of Revised Sections** – Revised sections will be updated on the web site and periodically distributed as needed through agency inventory coordinators or through the agency head, if there is no designated agency inventory coordinator.

The last section of this user's guide, *Last Revision Date Table*, contains a list of ALL sections of the user's guide and their most recent publication dates. This will enable the user to quickly determine whether the section is currently valid.

# CAPITAL ASSETS

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## I. General Information

### A. Definition of Capital Assets

For purposes of accountability, capital assets include property that costs \$5,000 or more (including applicable sales taxes and other ancillary charges such as installation and shipping fees), has a normal useful life expectancy exceeding two years, and maintains its identity while in use. Examples include equipment, vehicles, historical treasures, capital leases, infrastructure (see also Section 4), and leasehold improvements. Capital assets also include certain software for internal use as noted in Section 3.

Capital assets also include, regardless of cost, all land, buildings, and betterments to existing capital assets.

Within this definition, 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 two-way radio assigned to vehicle, a camera lens, or 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 or appropriated) 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 as federal surplus property. 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 if the total cost of materials and labor exceeds \$5,000.
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.

## II. Management and Control of Capital Assets

### A. General Procedures For Capital Asset Number Assignment

1. Asset numbers are required for all capital assets.
2. Numbered capital asset labels can be purchased from [Office Supply Connection](#). A supply should be kept on hand by the person responsible for capital asset number assignment at the

agency. Engraving can also be done identifying the capital asset number and that the property belongs to the State of Minnesota.

3. Capital asset numbers are to be assigned at the time of ordering. The assigned asset number should be entered on the purchase order.

## **B. 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 assets 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 receiving form indicating the items received, and sign and date this document. A sample substitute receiving report can be found in the “Forms” section (Section 12) of this user’s guide.
- 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. Every time that the capital asset is given to a new recipient, the new recipient should sign and date the packing slip (or substitute receiving form).
- 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 receiving form) 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 receiving form) to the agency inventory coordinator/subcoordinator as soon as new capital assets are inspected and found to be acceptable. This will ensure the timely recording of the capital asset in the capital asset inventory system.
- 8) Submit the original packing slip (or substitute receiving form) to the person responsible for making invoice payments. This will ensure prompt payment to the vendor.

#### **b. From Donors**

- 1) Follow the gift and acceptance policy for your agency, and [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 receiving form) to the person responsible for acknowledging acceptance of the donated capital asset in accordance with Finance policy.

- c. **Through an Intra-Agency Transfer – Refer to procedures on page 2-6 of this section.**
- d. **Through an Inter-Agency Transfer – Refer to procedures on pages 2-6 to 2-7 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 receiving form), 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 receiving form) that the capital asset was damaged, and sign and date the packing slip. Send a copy of the original packing slip (or substitute receiving form) 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 receiving form) 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.

### **b. Partial Shipments**

- 1) Follow the procedures for receiving capital assets in 1.a.1) through 1.a.8) 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 receiving form).
- 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 cannot be paid for prior to the statewide accounting system's fiscal year end close, generally the last week in August, follow the Department of Finance's Annual Close Instructions for coding the payment to the correct accounting period.
- 4) If a capital asset is acquired on or before June 30 and not paid prior to the deadline for reporting fiscal year transactions for financial statement purposes, report

information on capital assets received and not paid for to the appropriate financial reporting personnel.

**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) Send "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) Send "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 your 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/subcoordinator 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 must contain the numbered asset label, a complete description of the capital asset, and the location of the capital asset. Examples of capital assets in this category are a camera lens and certain types of scientific measuring equipment.
- e. All ownership identification must be removed when a capital asset is no longer owned by the State.

#### 4. Reporting Requirements

- a. State agencies are responsible for developing and maintaining a capital asset inventory system, regardless of agency size. At minimum, the records within this system should contain the data elements required by [MAPS Operating Policy and Procedure 0106-00 Capital Asset Reporting](#).
- b. Finance has developed a PC based fixed asset management tool, written in Microsoft Access™, called the Capital Asset Inventory System (FAIS). Section 11 of this user's guide contains the FAIS User Guide. The FAIS program has been made available to all state agencies to manage their capital asset inventories. The program includes a procedure for reporting changes in inventory by e-mail to the Department of Finance. Agencies may develop their own capital asset inventory system but they must maintain information that meets, at a minimum, the Department of Finance reporting requirements.
- c. Data recorded in a capital asset inventory system is essential information for financial reporting purposes. Shortly after fiscal year end, changes in capital asset inventory files (e.g. fiscal year acquisitions and dispositions) must be submitted to individuals responsible for preparing portions of the State's comprehensive annual financial report. All State Agencies are required to report to the Department of Finance changes to their capital asset inventory file for governmental funds only. Changes in the capital asset inventory files for proprietary and fiduciary funds should be reported to state agency personnel responsible for preparation of individual fund financial statements included within these fund type categories. All files must be submitted electronically and formatted in accordance with Department of Finance policies and procedures.

#### 5. Agency Location Information

- a. Agency location (e.g. building number and where applicable, room number) for each capital asset must be reported in the capital asset inventory 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 an individual to easily locate 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/subcoordinator should try to find potential users at other locations or divisions within the agency. See [Intra-Agency Transfer of Capital Assets](#) on page 2-6.
- b. If there are no potential users within the agency, the inventory coordinator/subcoordinator should try to find potential users in other State Agencies. See [Inter-Agency Transfer of Capital Assets](#) on page 2-6.
- 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/subcoordinator should complete a [Property Disposition Request](#) form and submit it to the Department of Administration's Materials Management Division - Surplus Services.
- d. Department of Administration's Materials Management Division - 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

- 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.
- e. The inventory coordinator/subcoordinator 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 capital asset inventory system.
  - f. All computers declared surplus must have data removed from their hard drives in accordance with [Department of Administration Informational Bulletin 03-01](#). A copy of this bulletin is found in Section 15 of this user's guide.

## **7. Intra-Agency Transfer of Capital Assets**

- a. Instructions for reporting movement of capital assets within the agency to the inventory coordinator/subcoordinator should be included in the agency inventory policies and procedures.
- b. The procedures in [Department of Administration Informational Bulletin 03-01](#) must be followed when items contain private or non-public data.
- c. A form should be made available to agency personnel to report the movement of capital assets within the agency to the inventory coordinator/subcoordinator. A sample form is provided in Section 12 of this User's Guide.
- d. Location information in the capital asset inventory system should be updated as the movement or transfer of capital assets is reported.
- e. It is not necessary to submit a [Property Disposition Request](#) form when transferring capital assets between divisions of your agency.

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

- a. Each agency should have policies and procedures in place to identify surplus property.
- b. The procedures in [Department of Administration Informational Bulletin 03-01](#) must be followed when items contain private or non-public data.
- c. To transfer surplus capital assets to another State Agency, prepare a [Property Disposition Request](#) form, and submit it to the Department of Administration's Materials Management Division - Surplus Services for review and approval. This form is available on the Internet at <http://www.mmd.admin.state.mn.us/pdf/pdr.pdf>. 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.
- d. The inventory coordinator/subcoordinator is responsible for ensuring that the capital asset disposition is reported in the capital asset inventory system.
- e. All computers declared surplus must have data removed from their hard drives in accordance with [Department of Administration Informational Bulletin 03-01](#). Refer to a copy of this bulletin in Section 15 of this user's guide.

## **9. Utilization of Federally-Funded Capital Assets**

- a. The inventory coordinator/subcoordinator must ensure that federally owned capital assets utilized by any state agency are reported in the capital asset inventory system when the capital assets meet State and Federal criteria. The State capital asset reporting criteria policy supplements the Federal reporting criteria policy. This means that the information

- recorded on the capital asset inventory system must meet State requirements as well as federal requirements. Federal grant programs may require reporting of capital asset status periodically.
- b. The inventory coordinator/subcoordinator must ensure that capital assets are marked with numbered asset labels or other alternate methods of marking.
  - c. 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 capital asset inventory 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 (asset numbers on items are the asset numbers maintained on the capital asset inventory system), and that the asset numbers are legible.
4. Verifying that each capital asset in existence is reported in the capital asset inventory 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**

Statewide policy requires that a complete physical inventory 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 Requiring a Physical Inventory**

If one of the following conditions occurs, a physical inventory is definitely warranted.

1. Failure of a capital asset inventory audit. If an audit is performed by the agency or an outside agency, and a minimum inventory accuracy level of 95 percent is not achieved, a physical inventory is required.
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/subcoordinator 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/subcoordinator. The new inventory coordinator/subcoordinator 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 capital assets inventory 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, class code, 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 will 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 give helpful information to pursue 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 capital asset inventory system. All capital assets found with illegible numbers must be re-numbered. If capital assets are found without asset

numbers, the inventory coordinator/subcoordinator must search the capital asset inventory 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/subcoordinator 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, you see that a capital asset needs to be repaired, bring this to the attention of the inventory coordinator/subcoordinator 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 your agency experiences many movements of capital assets, this method may require time-consuming 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. Smaller agencies may decide to spot check the entire agency at one time. 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

<u>Assets in the Area</u>	<u>Minimum Sample Size</u>
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

<u>Number of Assets</u>	<u>Minimum Sample Size</u>
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 capital asset inventory 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 20<sup>th</sup> 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 class codes. 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 capital asset inventory system. Refer to the Stolen, Lost, Damaged, or Recovered Capital Assets section below for procedures to follow when capital assets are “not found”.
10. All capital assets found with illegible numbers must be re-numbered. If capital assets are found without asset numbers, the inventory coordinator/subcoordinator must search the capital asset inventory 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.

#### **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.
  4. Stolen capital asset is recovered.
  5. Lost capital asset is found.
- B. A copy of the [\*Stolen, Lost, Damaged or Recovered Property Report\*](#) should be submitted to your agency’s inventory coordinator/subcoordinator and security personnel within the agency. If the report is for damaged or recovered property, send a copy to Surplus Services.
- C. Appropriate action should be taken immediately to locate the capital asset if lost or stolen.
- D. If the lost or stolen sensitive item contains private or non-public data, notify your agency’s data practices compliance official immediately.
- E. 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/subcoordinators should follow up with these authorities to ensure action has been taken to recover the capital asset.

- 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 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 should 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, submit a copy of the [\*Stolen, Lost, Damaged or Recovered Property Report\*](#) to the agency's Human Resource 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 as a disposal in the agency capital asset inventory system.
- J. If a capital asset is recovered, the agency claims officer should 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 capital asset inventory system. If the recovered property is not usable, follow the procedures for disposal of state surplus property. Notify the agency's Human Resource Division Director of the recovered capital asset if previously reported as lost or stolen.

## 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 (e.g., viewing adult-oriented material from the Internet).
- C. When misuse of a capital asset is suspected, it should be reported immediately to the agency inventory coordinator/subcoordinator, the Human Resources Division director, and the appropriate manager/supervisor.

## VI. Capital Assets Used Outside the Workplace

- A. 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 by management. The employee's manager/supervisor must review and approve this agreement. Signed agreements must be kept on file, preferably within the employee's personnel file, and a copy with the agency's inventory coordinator/subcoordinator. 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 12).
- 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. The agency's capital asset policy and procedure must address if any additional approvals are needed and the locations of the signed agreements.
- D. 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, if applicable.
- E. The agency's capital asset inventory system must include data indicating what capital assets are used outside the workplace and by whom (employee name, or consultant name and contract number).
- F. 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.
- G. 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 for transportation to and from the employee's residence<sup>1</sup>, or to run personal errands),
  - 2. giving the capital asset to the employee as a gift or creating the attributes of employee ownership of the capital asset by giving the capital asset to the employee without supervised use, or
  - 3. permitting non-state employee use, including consultants without contractual provisions which allow off-site use of capital assets.
- H. 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.

## VII. Financial Reporting Considerations

- A. The financial reporting of capital assets for the State's Comprehensive Annual Financial Report (CAFR) is governed by MAPS Operations Policy and Procedure:
  - 1. 0106-00, *Capital Asset Reporting*,  
<http://www.finance.state.mn.us/agencyapps/maps/opsman/policies/01section/0106-00.html>

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<sup>1</sup> M.S. § 16B.55, subd. 5 permits the governor and the lieutenant governor to use a state vehicle for travel to or from their residence.

2. 0106-01, *Equipment Reporting*  
<http://www.finance.state.mn.us/agencyapps/maps/opsman/policies/01section/0106-01.html>
  3. 0106-02, *Land Reporting*  
<http://www.finance.state.mn.us/agencyapps/maps/opsman/policies/01section/0106-02.html>
  4. 0106-03, *Building Reporting*  
<http://www.finance.state.mn.us/agencyapps/maps/opsman/policies/01section/0106-03.html>
  5. 0106-04, *Construction-in Progress Reporting*  
<http://www.finance.state.mn.us/agencyapps/maps/opsman/policies/01section/0106-04.html>
  6. 0106-05, *Infrastructure Reporting*  
<http://www.finance.state.mn.us/agencyapps/maps/opsman/policies/01section/0106-05.html>
  7. 0106-06, *Accounting for Internally Developed Software Intended for Internal Use Only*  
<http://www.finance.state.mn.us/agencyapps/maps/opsman/policies/01section/0106-06.html>
- B. The financial reporting varies depending on the fund type through which the asset is acquired.
1. Capital assets acquired through proprietary and fiduciary fund types are required to be capitalized and reported in the individual fund, since they are used in the production of goods or services provided and sold, and/or the cost of services are recovered through charges to users.
  2. Capital assets acquired through governmental funds must be reported on the government-wide balance sheet net of accumulated depreciation. The Department of Finance will request confirmation of the capital assets acquired through governmental funds periodically.

## Software for Internal use Only

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### I. General Information

#### A. Definition of Software For Internal Use Only

Software for internal use is software that is intended to meet the state's internal needs. It may either be purchased or internally developed. If the software is internally developed, to be considered for internal use, there must be no substantive plan under consideration to market the software externally.

Purchased software for internal use only and internally developed software for internal use only must be considered a capital asset when it meets the capitalization threshold identified in [MAPS Operating Policy and Procedure 0106-00](#), Capital Asset Reporting, and [MAPS Operating Policy and Procedure 0106-06](#), *Accounting for Internally Developed Software Intended for Internal Use Only*. If the purchased software for internal use only or the internally developed software for internal use only meets the capitalization threshold, the asset is a capital asset and all of the requirements in Section 2, Capital Assets, must be followed. If the purchased software for internal use only or the internally developed software for internal use only is below the capitalization threshold, the software must be treated as a sensitive item. (See Section 5, Sensitive Items)

# Infrastructure

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## I. General Information

### A. Definition of Infrastructure

Infrastructure is defined as “tangible property that is normally both stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include fiber optic networks, roads, bridges, tunnels, drainage systems, water and sewer systems, and dams.

[MAPS Operating Policy and Procedure 0106-05](#), *Infrastructure Reporting*, governs the accounting for Infrastructure. Normally, infrastructure assets are treated in the same way as other capital assets. That is, infrastructure assets are capitalized at their historical cost and subsequently depreciated over their estimated useful life. Agencies are allowed the option to use a modified approach. The modified approach assumes that the asset never depreciates but is maintained at a given condition level indefinitely. [MAPS Operating Policy and Procedure 0106-05](#) identifies the infrastructure that must be reported under the modified approach and the infrastructure that should be reported under the depreciation method. If the infrastructure that must be depreciated meets the capitalization threshold, the asset is a capital asset and all of the requirements in Section 2, Capital Assets, must be followed. Infrastructure required to be reported under the modified approach must be tracked through a record-keeping system and include, at a minimum, all data elements established by the Department of Finance.

# **Sensitive Items**

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## **I. General Information**

### **A. Definition of Sensitive Items**

As established by agency policy, these are items that are generally for individual use, or that could be easily sold and are most often subject to pilferage or misuse. Firearms and other weapons, personal computers (PCs - both desktop and portable models), network servers, cellular phones, and personal digital assistants (PDA) are sensitive items. Other examples include printers, other PC accessories that are detachable from the PC (modems, external disk drives, tape backup systems, scanners), software for internal use under \$30,000 total acquisition cost, wireless technology, televisions and other video equipment, projectors, citizen-band and other two-way radios, cameras, tape recorders, global positioning satellite (GPS) devices, TTY equipment, facsimile machines, pagers, portable power tools (including tool sets and tool boxes) and vehicle parts (tires and batteries).

## **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 receiving form indicating the items received, and sign and date this document. A sample substitute receiving report can be found in the “Forms” section (Section 12) of this user’s guide.
- 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. Every time that the sensitive item is given to a new recipient, the new recipient should sign and date the packing slip (or substitute receiving form).
- 6) If acceptance testing is necessary, have the person putting the sensitive item into operation sign the packing slip (or substitute receiving form) 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 receiving form) to the agency inventory coordinator/subcoordinator as soon as new sensitive items are inspected and found to be acceptable. This will ensure the timely recording of the sensitive item in the sensitive item property ledger.

- 8) Submit the original packing slip (or substitute receiving form) to the person responsible for making invoice payments. This will ensure prompt payment to the vendor.

**b. From Donors**

- 1) Follow the gift and acceptance policy for your agency, and [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 receiving form) to the person responsible for acknowledging acceptance of the donated sensitive item in accordance with Finance policy.

**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 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 receiving form), 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 receiving form) that the sensitive item was damaged, and sign and date the packing slip. Send a copy of the original packing slip (or substitute receiving form) 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 receiving form) 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.

**b. Partial Shipments**

- 1) Follow the procedures for receiving sensitive items in 1.a.1) through 1.a.8) 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 receiving form).

- 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 cannot be paid for prior to the statewide accounting system's fiscal year end close, generally the last week in August, follow the Department of Finance's Annual Close Instructions for coding the payment to the correct accounting period.
- 4) If a sensitive item is acquired on or before June 30 and not paid prior to the deadline for reporting fiscal year transactions for financial statement purposes, report information on sensitive items received and not paid for as appropriate.

**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) Send "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) Send "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 your agency's investment, sensitive items must 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 labels can be purchased from [Office Supply Connection](#). 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 and peripherals.
- 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. Sensitive Item Property Ledger**

- a. State agencies are responsible for developing and maintaining a sensitive item property ledger, regardless of agency size. At a minimum, the records within this system should contain the following data elements:
  - 1) Asset Number, if applicable
  - 2) Description of the asset
  - 3) Manufacturer's name
  - 4) Model Number
  - 5) Serial Number
  - 6) Acquisition date
  - 7) Acquisition cost
  - 8) Location (see following section)
  - 9) Employee assigned custody of sensitive items
  - 10) Purchase Order Number
  - 11) Disposal Date (if applicable)
- b. Finance has developed a PC based fixed asset management tool, written in Microsoft Access™, called the Capital Asset Inventory System (FAIS). Section 11 of this user's guide contains the FAIS User Guide. The FAIS program can be used by all state agencies to manage their sensitive item inventories. Agencies may develop their own sensitive item property ledger but should include the data elements listed above.

#### **5. Agency Location Information**

- a. Agency location (e.g., building number and where applicable, room number) for each sensitive item must be reported in the sensitive item property ledger.
- 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 an individual to easily locate 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/subcoordinator 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/subcoordinator should try to find potential users in other State Agencies. 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/subcoordinator should complete a [Property Disposition Request](#) form and submit it to the Department of Administration's Materials Management Division - Surplus Services.

- d. Department of Administration's Materials Management Division - 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 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.
- e. The inventory coordinator/subcoordinator 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 property ledger.
- f. All computers declared surplus must have data removed from their hard drives in accordance with [Department of Administration Informational Bulletin 03-01](#). A copy of this bulletin is found in Section 15 of this user's guide.

## 7. Intra-Agency Transfer of Sensitive Items

- a. Instructions for reporting movement of sensitive items within the agency to the inventory coordinator/subcoordinator should be included in the agency inventory policies and procedures.
- b. The procedures in [Department of Administration Informational Bulletin 03-01](#) must be followed when items contain private or non-public data.
- c. A form should be made available to agency personnel to report the movement of sensitive items within the agency to the inventory coordinator/subcoordinator. A sample form is provided in Section 12 of this User's Guide.
- d. Location information in the sensitive item property ledger should be updated as the movement or transfer of sensitive items is reported.
- e. It is not necessary to submit a [Property Disposition Request](#) form when transferring sensitive items between divisions of your agency.

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

- a. Each agency should have policies and procedures in place to identify surplus property.
- b. The procedures in [Department of Administration Informational Bulletin 03-01](#) must be followed when items contain private or non-public data.
- c. To transfer surplus sensitive items to another State Agency, prepare a [Property Disposition Request](#) form, and submit it to the Department of Administration's Materials Management Division - Surplus Services for review and approval. This form is available on the Internet at <http://www.mmd.admin.state.mn.us/pdf/pdr.pdf>. 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.
- d. The inventory coordinator/subcoordinator is responsible for ensuring that the sensitive item disposition is reported in the sensitive inventory property ledger.
- e. All computers declared surplus must have data removed from their hard drives in accordance with [Department of Administration Informational Bulletin 03-01](#). Refer to a copy of this bulletin in Section 15 of this user's guide.

## **9. Utilization of Federally-Funded Sensitive Items**

- a. The inventory coordinator/subcoordinator must ensure that federally owned sensitive items utilized by any state agency are reported in the sensitive item property ledger when the sensitive items meet State and Federal criteria. The State sensitive item reporting criteria policy supplements the Federal reporting criteria policy. This means that the information recorded on the sensitive item property ledger must meet State requirements as well as federal requirements. Federal grant programs may require reporting of sensitive item status periodically.
- b. The agency inventory coordinator/subcoordinator must ensure that sensitive items are marked with “Property of the State of Minnesota” labels, numbered asset labels, or other alternate methods of marking.
- c. 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 property ledger, 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 property ledger.
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**

Statewide policy requires that 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 Requiring a Physical Inventory**

If one of the following conditions occurs, a physical inventory is definitely warranted.

1. Failure of a sensitive item inventory audit. If an audit is performed by the agency or an outside agency, and a minimum inventory accuracy level of 95 percent is not achieved, a physical inventory is required.

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/subcoordinator 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/subcoordinator. The new inventory coordinator/subcoordinator 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 property ledger, 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), description, location, class code, 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 will 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 give 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 property ledger.

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/subcoordinator, 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/subcoordinator 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 your 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. Smaller agencies may decide to spot check the entire agency at one time. 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

<u>Sensitive Items in the Area</u>	<u>Minimum Sample Size</u>
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

<u>Number of Sensitive Items</u>	<u>Minimum Sample Size</u>
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 property ledger, 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 20<sup>th</sup> 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 class codes. 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 sensitive item property ledger. Refer to the Stolen, Lost, Damaged, or Recovered Sensitive Items section below for procedures to follow when sensitive items are “not found”.
10. All sensitive items found with illegible numbers (if an asset number was assigned) must be properly marked as state property.

#### **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. Sensitive item is damaged.
  4. Stolen sensitive item is recovered.
  5. Lost sensitive item is found.
- B. A copy of the [Stolen, Lost, Damaged or Recovered Property Report](#) should be submitted to your agency’s inventory coordinator/subcoordinator and security personnel within the agency. If the report is for damaged or recovered property, send a copy to Surplus Services.
- C. Appropriate action should be taken immediately to locate the sensitive item if lost or stolen.
- D. If the lost or stolen sensitive item contains private or non-public data, notify your agency’s data practices compliance official immediately.
- E. 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/subcoordinators should follow up with these authorities to ensure action has been taken to recover the sensitive item.
- 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 for lost, stolen or damaged sensitive items. 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. If an employee fails to return a sensitive item to the State within a reasonable time frame following the request of management for the sensitive item or upon the employee's separation from state service, the sensitive item is considered stolen. The employee's manager/supervisor must take appropriate action for stolen sensitive items as noted above. The employee's manager/supervisor should 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, submit a copy of the [Stolen, Lost, Damaged or Recovered Property Report](#) to the agency's Human Resource Director, Surplus Services and the Legislative Auditor's Office ([Minnesota Statute 609.456, subd. 2](#), requires reporting in writing thefts or unlawful use of property to the Legislative Auditor).
- I. Damaged sensitive items and lost or stolen sensitive items that are not recovered must be recorded as a disposal in the agency sensitive item property ledger.
- J. If sensitive items are recovered, the agency claims officer should determine whether the sensitive items were covered by insurance. If so, contact Admin Risk Management to determine proper disposition of the property. If the sensitive items were not covered by insurance and are still usable, record the information in the agency sensitive item inventory property ledger. If the recovered property is not usable, follow the procedures for disposal of state surplus property. Notify the agency's Human Resource Division Director of the recovered sensitive item if previously reported as lost or stolen.

## **V. Misuse of Sensitive Items**

- A. Any 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 (e.g., viewing adult-oriented material from the Internet).
- C. When misuse of a sensitive item is suspected, it should be reported immediately to the agency inventory coordinator/subcoordinator, the Human Resources Division director, and the appropriate manager/supervisor.

## **V. Sensitive Items Used Outside the Workplace**

- A. 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, preferably within the employee's personnel file, and a copy with the agency's inventory coordinator/subcoordinator. 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 12).

- 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. The agency's sensitive item policy and procedure must address if any additional approvals are needed and the locations of the signed agreements.
- D. 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.
- E. The agency's sensitive item property ledger must include data indicating what sensitive items are used outside the workplace and by whom (employee name, or consultant name and contract number).
- F. 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.
- G. 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 state vehicle for transportation to and from the employee's residence<sup>2</sup>, or to run personal errands),
  - 2. giving the sensitive item to the employee as a gift or creating the attributes of employee ownership of the sensitive item by giving the sensitive item to the employee without supervised use, 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 that their agreement with the state identifies the sensitive items, requires that the sensitive items are returned to the state upon termination of the contract, and states that inappropriate use of such sensitive items is prohibited.

## VII. Financial Reporting Considerations

- A. Sensitive items are to be expensed since they do not meet the capitalization threshold. Sensitive items acquired through governmental funds are expensed in the governmental funds. Sensitive items acquired through proprietary and fiduciary fund types are required to be expensed and reported in the individual fund.

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<sup>2</sup> M.S. § 16B.55, subd. 5 permits the governor and the lieutenant governor to use a state vehicle for travel to or from their residence.

# **Consumable Inventory**

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## **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 receiving form indicating the items received, and sign and date this document. A sample substitute receiving report can be found in the “Forms” section of this user’s guide.
- 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. Every time that the consumable inventory is given to a new recipient, the new recipient should sign and date the packing slip (or substitute receiving form).
- 6) If acceptance testing is necessary, have the person putting the consumable inventory into operation sign the packing slip (or substitute receiving form) 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 receiving form) to the agency inventory coordinator/subcoordinator 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 property ledger.
- 8) Submit the original packing slip (or substitute receiving form) to the person responsible for making invoice payments. This will ensure prompt payment to the vendor.

**b. From Donors**

- 1) Follow the gift and acceptance policy for your agency, and [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 receiving form) to the person responsible for acknowledging acceptance of the donated consumable inventory in accordance with Finance policy.

**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 6-5 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 receiving form), 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 receiving form) that the consumable inventory was damaged, and sign and date the packing slip. Send a copy of the original packing slip (or substitute receiving form) 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 receiving form) 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.

**b. Partial Shipments**

- 1) Follow the procedures for receiving consumable inventory in 1.a.1) through 1.a.8) 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 receiving form).

- 2) When making the payment, the transaction must be reported in the correct fiscal year which is the fiscal year when the consumable inventory was received.
- 3) If the consumable inventory cannot be paid for prior to the statewide accounting system's fiscal year end close, generally the last week in August, follow the Department of Finance's Annual Close Instructions for coding the payment to the correct accounting period.
- 4) If a consumable inventory is acquired on or before June 30 and not paid prior to the deadline for reporting fiscal year transactions for financial statement purposes, report information on consumable inventory received and not paid for as appropriate.

**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) Send "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) Send "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 are not tagged as "Property of the State of Minnesota" due to the nature of the item.

**4. Consumable Inventory Property Ledger**

- a. State agencies are responsible for developing and maintaining a consumable inventory property ledger. At a minimum, the records within this system should 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 (e.g., building number and where applicable, room number) for each consumable inventory must be reported in the consumable inventory property ledger.
- 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 an individual to easily locate any consumable inventory.

## 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/subcoordinator should try to find potential users at other locations or divisions within the agency. See Intra-Agency Transfer of Consumable Inventory on page 6-4.
- b. If there are no potential users within the agency, the inventory coordinator/subcoordinator should try to find potential users in other State Agencies. See Inter-Agency Transfer of Consumable Inventory on page 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/subcoordinator should complete a [Property Disposition Request](#) form and submit it to the Department of Administration's Materials Management.
- d. Department of Administration's Materials Management Division - 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 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.
- e. The inventory coordinator/subcoordinator is responsible for ensuring that the consumable inventory disposition is reported in the consumable inventory property ledger.
- f. All computers declared surplus must have data removed from their hard drives in accordance with [Department of Administration Informational Bulletin 03-01](#). A copy of this bulletin is found in Section 15 of this user's guide.

## 7. Intra-Agency Transfer of Consumable Inventory

- a. Instructions for reporting movement of consumable inventory within the agency to the inventory coordinator/subcoordinator should be included in the agency inventory policies and procedures.
- b. A form should be made available to agency personnel to report the movement of consumable inventory within the agency to the inventory coordinator/subcoordinator. A sample form is provided in Section 12 of this User's Guide.
- c. Location information in the consumable inventory property ledger should be updated as the movement or transfer of consumable inventory is reported.
- d. It is not necessary to submit a [Property Disposition Request](#) form when transferring consumable inventory between divisions of your agency.

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

- a. Each agency should have policies and procedures in place to identify surplus property.
- b. To transfer surplus consumable inventory to another State Agency, prepare a [\*Property Disposition Request\*](#) form, and submit it to the Department of Administration's Materials Management Division - Surplus Services for review and approval. This form is available on the Internet at <http://www.mmd.admin.state.mn.us/pdf/pdr.pdf>. 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.
- c. The inventory coordinator/subcoordinator is responsible for ensuring that the consumable inventory disposition is reported in the consumable inventory property ledger.
- d. All computers declared surplus must have data removed from their hard drives in accordance with [\*Department of Administration Informational Bulletin 03-01\*](#). Refer to a copy of this bulletin in Section 15 of this user's guide.

## **9. Utilization of Federally-Funded Consumable Inventory**

- a. The inventory coordinator/subcoordinator must ensure that federally owned consumable inventory utilized by any state agency are reported in the consumable inventory property ledger when the consumable inventory meet State and Federal criteria. The State consumable inventory reporting criteria policy supplements the Federal reporting criteria policy. This means that the information recorded on the consumable inventory property ledger must meet State requirements as well as federal requirements. Federal grant programs may require reporting of consumable inventory status periodically.
- 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 property ledger, 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 property ledger.
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**

Statewide policy requires that 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 Requiring a Physical Inventory**

If one of the following conditions occurs, a physical inventory is definitely warranted.

1. Failure of a consumable inventory audit. If an audit is performed by the agency or an outside agency, and a minimum inventory accuracy level of 95 percent is not achieved, a physical inventory is required.
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/subcoordinator 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/subcoordinator. The new inventory coordinator/subcoordinator 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 property ledger, 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 give 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 property ledger.
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/subcoordinator, 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 your 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**

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

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

<b>CONSUMABLE INVENTORY SPOT CHECK SAMPLE SIZE</b>	
<u>Number of Inventory Items</u>	<u>Minimum Sample Size</u>
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

- 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 property ledger, 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 20<sup>th</sup> 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>).
- Preparations for a spot check should be similar to the planning and scheduling for the complete physical inventory.
- The spot check procedure should be similar to conducting and reconciling the physical inventory.
- If a consumable inventory item cannot be located in a reasonable length of time, it is considered “not found” for reporting purposes.
- 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.
- All discrepancies must be corrected immediately on the consumable inventory property ledger. 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 [\*Stolen, Lost, Damaged or Recovered Property Report\*](#) must be completed under the following circumstances regardless of whether the consumable inventory was located at the work site or off-site (e.g., consumable inventory warehoused at another location):
  - Consumable inventory is stolen.
  - Consumable inventory is lost.
  - Consumable inventory is damaged.
  - Stolen consumable inventory is recovered.
  - Lost consumable inventory is found.

- B. A copy of the [\*Stolen, Lost, Damaged or Recovered Property Report\*](#) should be submitted to your agency's inventory coordinator/subcoordinator and security personnel within the agency. If the report is for damaged or recovered property, send a copy to Surplus Services.
- C. Appropriate action should be taken immediately to locate the consumable inventory if lost or stolen.
- D. If these actions fail to locate the consumable inventory 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/subcoordinators should follow up with these authorities to ensure action has been taken to recover the consumable inventory.
- E. 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 consumable inventory. The claims manager will check agency consumable inventory coverage for lost, stolen or damaged consumable inventory. If the agency has no insurance coverage or the deductible is higher than the value of the consumable inventory, then the agency must absorb the loss from its operating budget if it chooses to replace the consumable inventory.
- F. After an extensive search has failed to result in the recovery of the stolen or lost consumable inventory, submit a copy of the [\*Stolen, Lost, Damaged or Recovered Property Report\*](#) to the agency's Human Resource 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).
- G. Damaged consumable inventory and lost or stolen consumable inventory that are not recovered must be recorded as a disposal in the agency consumable inventory property ledger.
- H. If consumable inventory is recovered, the agency claims officer should determine whether the consumable inventory was covered by insurance. If so, contact Admin Risk Management to determine proper disposition of the property. If the consumable inventory was not covered by insurance and is still usable, record the information in the agency consumable inventory property ledger. If the recovered property is not usable, follow the procedures for disposal of state surplus property. Notify the agency's Human Resource Division Director of the recovered consumable inventory if previously reported as lost or stolen.

## **V. Misuse of Consumable Inventory**

- A. Any employee misuse of consumable inventory may be subject to disciplinary action, up to and including termination.
- B. Examples of misuse of a consumable inventory 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 consumable inventory for personal gain,
  - 5. Permitting other individuals to use the consumable inventory for non-state purposes,
  - 6. Non-return of consumable inventory when requested,
  - 7. Permitting an outside consultant to use consumable inventory without a contract term allowing them to use consumable inventory, or
  - 8. Inappropriate use.
- C. When misuse of consumable inventory is suspected, it should be reported immediately to the agency inventory coordinator/subcoordinator, the Human Resources Division director, and the appropriate manager/supervisor.

## **VI. Financial Reporting Considerations**

Consumable inventory acquired through governmental funds are expensed in the governmental fund. Consumable inventory acquired through proprietary and fiduciary fund types are generally reported as an asset such as Raw Materials Inventory or Inventory for Resale on the Statement of Net Assets in the individual funds.

# Supplies

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## 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 receiving form indicating the items received, and sign and date this document. A sample substitute receiving report can be found in the “Forms” section of this user’s guide.
- 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. Every time that the supplies are given to a new recipient, the new recipient should sign and date the packing slip (or substitute receiving form).
- 6) If acceptance testing is necessary, have the person putting the supplies into operation sign the packing slip (or substitute receiving form) 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 receiving form) to the agency inventory coordinator/subcoordinator as soon as new supplies are inspected and found to be acceptable. This will ensure the timely recording of the supplies in the supplies property ledger.
- 8) Submit the original packing slip (or substitute receiving form) to the person responsible for making invoice payments. This will ensure prompt payment to the vendor.

##### b. From Donors

- 1) Follow the gift and acceptance policy for your agency, and [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 receiving form) to the person responsible for acknowledging acceptance of the donated supplies in accordance with Finance policy.

**c. Through an Intra-Agency Transfer – Refer to procedures on pages 7-3 to 7-4 of this section.**

**d. Through an Inter-Agency Transfer – Refer to procedures on page 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 receiving form), 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 receiving form) that the supplies were damaged, and sign and date the packing slip. Send a copy of the original packing slip (or substitute receiving form) 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 receiving form) 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.

### **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 receiving form).
- 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 the Department of Finance's Annual Close Instructions for coding the payment to the correct accounting period.

**d. Supplies Delivered to Wrong Address**

- 1) 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) Send "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) Send "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 is surplus to one location or division within the agency, the inventory coordinator/subcoordinator 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/subcoordinator should try to find potential users in other State Agencies. 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/subcoordinator should complete a [Property Disposition Request](#) form and submit it to the Department of Administration's Materials Management Division - Surplus Services.
- d. Department of Administration's Materials Management Division - 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 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.
- e. If applicable, the inventory coordinator/subcoordinator is responsible for ensuring that the supplies disposition is reported in the supplies property ledger.

## 5. Intra-Agency Transfer of Supplies

- a. Instructions for reporting movement of supplies within the agency to the inventory coordinator/subcoordinator should be included in the agency inventory policies and procedures.
- b. A form should be made available to agency personnel to report the movement of supplies within the agency to the inventory coordinator/subcoordinator. A sample form is provided in Section 12 of this User's Guide.
- c. If applicable, location information in the supplies property ledger should be updated as the movement or transfer of supplies is reported.
- d. It is not necessary to submit a [Property Disposition Request](#) form when transferring supplies between divisions of your agency.

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

- a. Each agency should have policies and procedures in place to identify surplus property.
- b. To transfer surplus supplies to another State Agency, prepare a [Property Disposition Request](#) form, and submit it to the Department of Administration's Materials Management Division - Surplus Services for review and approval. This form is available on the Internet at <http://www.mmd.admin.state.mn.us/pdf/pdr.pdf>. 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.
- c. If applicable, the inventory coordinator/subcoordinator is responsible for ensuring that the supplies disposition is reported in the supplies property ledger.

## 7. Utilization of Federally-Funded Supplies

- a. If applicable, the inventory coordinator/subcoordinator must ensure that federally owned supplies utilized by any state agency are reported in the supplies property ledger when the supplies meet State and Federal criteria. The State reporting criteria policy supplements the Federal reporting criteria policy. This means that the information recorded on the supplies property ledger must meet State requirements as well as federal requirements. Federal grant programs may require reporting of supplies status periodically.
- 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. These supplies should be classified as either a sensitive item or consumable inventory. If the supplies are classified as sensitive items, follow all of the requirements listed in Section 5, Sensitive Items. If the supplies are classified as a consumable inventory, follow all of the requirements listed in Section 6, Consumable Inventory.

## IV. Stolen, Lost, Damaged or Recovered Supplies

- A. A [Stolen, Lost, Damaged or Recovered Property Report](#) must be completed under the following circumstances regardless of whether the supplies were located at the work site or off-site (e.g.,

supplies warehoused at another location):

1. Supplies were stolen.
  2. Supplies were lost.
  3. Supplies were damaged.
  4. Stolen supplies were recovered.
  5. Lost supplies were found.
- B. A copy of the [\*Stolen, Lost, Damaged or Recovered Property Report\*](#) should be submitted to your agency's inventory coordinator/subcoordinator and security personnel within the agency. If the report is for damaged or recovered property, send a copy to Surplus Services.
- C. Appropriate action should be taken immediately to locate the supplies if lost or stolen.
- D. If the lost or stolen sensitive item contains private or non-public data, notify your agency's data practices compliance official immediately.
- E. If these actions fail to locate the supplies 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/subcoordinators should follow up with these authorities to ensure action has been taken to recover the supplies.
- 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 supplies. The claims manager will check agency supplies coverage for lost, stolen or damaged supplies. If the agency has no insurance coverage or the deductible is higher than the value of the supplies, then the agency must absorb the loss from its operating budget if it chooses to replace the supplies.
- G. After an extensive search has failed to result in the recovery of the stolen or lost supplies, submit a copy of the [\*Stolen, Lost, Damaged or Recovered Property Report\*](#) to the agency's Human Resource 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).
- H. Damaged supplies and lost or stolen supplies that are not recovered must be recorded as a disposal in the agency supplies property ledger, if applicable.
- I. If supplies are recovered, the agency claims officer should determine whether the supplies were covered by insurance. If so, contact Admin Risk Management to determine proper disposition of the property. If the supplies were not covered by insurance and are still usable, record the information in the agency supplies property ledger, if applicable. If the recovered property is not usable, follow the procedures for disposal of state surplus property. Notify the agency's Human Resource Division Director of the recovered supplies if previously reported as lost or stolen.

## 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/subcoordinator, the Human Resources Division director, and the appropriate manager/supervisor.

## **VII. Financial Reporting Considerations**

Supplies are expensed unless the supply is maintained as a consumable inventory. If the supply item is maintained as a consumable inventory, the requirements in Section 6, Consumable Inventory must be followed.

# Surplus Property

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## I. General Information

### A. Definition of Surplus Property

Any state-owned property, including commodities, equipment, materials, supplies, books, printed matter, 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 guide has been prepared in accordance with [Minnesota Statutes, Chapter 16C](#) 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 and 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 [Department of Administration Informational Bulletin 03-01](#) 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 utility value that cannot be transferred within an agency should be made available for transfer to and use by other state agencies.
2. The procedures in [Department of Administration Informational Bulletin 03-01](#) 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 utility 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 on 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, 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 [Department of Administration Informational Bulletin 03-01](#) 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 utility 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 on 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 value, but no longer has any utility 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 item that still have good utility and dollar value and helps agencies defray the cost of new property purchases.
3. The procedures in [Department of Administration Informational Bulletin 03-01](#) 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 must 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 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 gives 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. To include property in the sale, the agency must 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. The auction sale process starts three weeks or more prior to the auction date, by submitting a [Property Disposition Request](#) form, including a detailed description and known defects of items to be sold, including the approximate mileage if a vehicle, and the recommended disposition of “auction sale”. 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. The procedures in [Department of Administration Informational Bulletin 03-01](#) 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 according to the instructions provided by the agency.
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 gives 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.

## **F. On-Line Auction Sales Procedures**

1. The on-line auction sale process starts by submitting a [Property Disposition Request](#) form, including a detailed description and known defects of items to be sold, including the approximate mileage if a vehicle, and the recommended disposition of “on-line 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. The procedures in [Department of Administration Informational Bulletin 03-01](#) 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.
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 according to the instructions provided by the agency.
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 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.

## 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 in the described. If so, Surplus Services will facilitate discussions for potential transfer between the two agencies.
2. The procedures in [Department of Administration Informational Bulletin 03-01](#) must be followed when items contain private or non-public data.
3. Upon approval to conduct a sealed bid sale, the agency should 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’s public notice should 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 should be awarded to the highest responsible 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 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 is to be forwarded to Surplus Services.

## I. Pre-Priced (Garage) 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 (garage 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 [Department of Administration Informational Bulletin 03-01](#) 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 garage sale process.
4. Typically, property that is considered for pre-priced or garage 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. The following 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: motor vehicles, heavy equipment of any type, tractors (including lawn and garden), current computer equipment of any type, antiques or collectibles of any type, large hand tools, machine tools, and current model audio/visual equipment.

## **J. Pre-Priced (Garage) Sales Procedures**

1. The pre-priced sale process starts by submitting a [Property Disposition Request](#) form and a list of 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. The procedures in [Department of Administration Informational Bulletin 03-01](#) 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 anytime prior to sale day. 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 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 is to 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 (garage) 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 sales, 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 is to be forwarded to Surplus Services.

## **L. Building Sales**

1. The agency having custodial control of the building declares the building as surplus. The declaration must be reported to Surplus Services on a [Property Disposition Request](#) form. Supporting documentation including photos of each building, outside dimensions, building identification (if any), location information, how acquired (including the amount of any general obligation bond appropriations used to acquire or improve the building), any capital improvements made in the past ten years, estimated value and names of contact personnel should be included. Agencies should also submit copies of any building condition reports, environmental reports and hazardous material (e.g., asbestos) surveys. Agencies must also disclose whether the building is on the National Register of Historic Places or locally designated as historic.
2. Surplus Services will assign a file identification number that will be used by all parties involved with the disposition. Surplus Services will seek legislative approval to sell, wreck or otherwise dispose of the building pursuant to [Minnesota Statute 16B.24, subd. 3](#).
3. For buildings declared surplus by all State departments (except the Department of Transportation), Surplus Services will make an estimate of the real value. For those buildings with estimated real value of \$5,000 or more, Surplus Services will conduct a sale by sealed bid or auction. When the building is estimated to have a real value of less than \$5,000, the agency may be notified to proceed with the disposition. With the approval of Surplus Services, a negotiated sale may be arranged if it is not feasible to sell via auction or sealed bid process and the sale does not exceed \$5,000 per building.
4. Where surplus buildings prove non-salable, the agency may perform the demolition in accordance with applicable law. The State Architect's Office and related management shall provide guidance when requested.
5. See also State Architect's Office guidelines at <http://www.sao.admin.state.mn.us/dpm/demo-proc.asp>

## **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.

After 30 days, all unclaimed lost or abandoned property must be disposed of consistent with the requirements specified in this user's guide.

## **Employee-Owned Personal Property in the Workplace**

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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 policies and procedures relate 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/subcoordinator, 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 is responsible for verifying 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 in Section 12 of this user's guide.

## **Non-State Property in the Workplace**

Prior to commencing work, agency personnel need to advise contractors/individuals of the procedures for bringing non-state property onto state premises. Agencies should ensure procedures are in place regarding security, insurance, responsibility, tracking, safety, hazardous materials, and removal of items brought onto State premises by others.

Except as provided by statute, agencies should not allow display of non-State property on State premises for sale by private organizations.

**CAPITAL ASSET INVENTORY SYSTEM  
USER'S GUIDE**

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Revised by the Department of Finance February 2003

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## **A. Reporting Requirements**

1. All State Agencies are required to report changes to their fixed asset inventory file to the Department of Finance. These reports are used to report capital assets in the statewide financial statements.
2. Finance has developed a PC based fixed asset management tool, written in Microsoft Access, called the Fixed Asset Inventory System (FAIS). This program has been made available to all state agencies to manage their capital asset inventories. The program includes a procedure for reporting changes in inventory to the Department of Finance by e-mail.
3. Agencies with special needs are free to develop their own capital asset computer program but they must maintain required information on their file and meet the reporting requirements of the Materials Management Division of the Department of Administration and the Department of Finance.
4. All adds, deletions, and changes to the inventory of agencies assets must be reported to the Department of Finance.
5. Agencies must report their inventory activity no less often than semi-annually.
6. If no inventory changes occur during the reporting period, your agency can submit a memo to the Department of Finance stating there has been no activity.
7. All agencies are required to maintain a listing of their own inventory, regardless of agency size.

## **B. Capital Asset Computer Programs:**

1. A complete user's guide for the FAIS program, supplied by the Department of Finance, follows this section.
2. Agencies that develop their own computer program must include the following required information on their computer record (additional information on these data fields can be found in the Data Directory that follows and in the FAIS user's guide section of this user's guide):
  - Asset Number-including prefix (a one-digit field that contains the ampersand sign when used with very old asset numbers). This field is filled with "O" when there is no ampersand.
  - Description of the asset
  - Manufacturer's name
  - Class code
  - Asset life
  - Acquisition date
  - Acquisition cost
  - Agency number
  - Division number
  - Status
  - Location
  - Purchase Order Number
  - Fiscal year of funding
  - Fund
  - Disposal Date (if applicable)
  - Disposal Proceeds or costs, if any
3. Page 15 contains a capital asset system data directory. Agencies that develop their own capital asset program must include some of the data fields listed in the data directory. If you plan on submitting your file electronically, please keep the fields exactly the same data types and number of positions in the fields. This submission must be in IBM readable format.

### **C. Installing the FAIS File:**

#### **For Windows users:**

In your file manager you will need to copy the file from the disk or save the e-mail to the directory you wish to store the file on. Then right-click on this file and create a shortcut on your desktop.

#### **For Windows 95/NT users:**

In Windows Explorer you will need to copy the file from the disk or e-mail to the directory you wish to store it in. Then right-click and create a short-cut on your desktop.

### **D. Loading the Asset Data into FAIS:**

These procedures are used to load the asset data files into the FAIS program. They should also be used if it is necessary to replace your data files with backup copies or with files requested from the Materials Management Division of the Department of Administration.

1. Open FAIS and hit F11 on your keyboard, then choose file, get external data, import files. Import your file as a new table.
2. Now that you have your assets as a separate table in FAIS you need to use the design tab on your table (update your table design only!) to format the fields to be exactly the same as the Inv\_Items table. Do this by selecting your table and pressing the design button. By referring to the FAIS data directory in the index of this user's guide and reviewing each field type and length in design view, ensure they are exactly the same.
  - a. After your table matches the design of the Inv\_Items table, select the query tab and the new button. In design mode select your table and from the Access menu select Query, append query, this will prompt you for the name of the table to append your assets to, Choose Inv-Items.
  - b. Choose the fields from your table and on the append line choose the corresponding field of the Inv\_Items table. Once you are finished select query, run, and your asset records should now be in the Inv\_Items table.
  - c. Finally, click on any portion of the main menu FAIS screen and you should be able to view your assets and use all of the other functions.

## **E. FAIS Security:**

Access software provides a security option and can be used at the user and group security levels. If your agency is interested in establishing security levels due to multiple users, please contact the Department of Finance asset coordinator for assistance. Once established, the agency's database administrator can add or change user or group privileges.

## **F. The FAIS Main Menu Functions:**

The main menu lists the fixed asset processing functions available in FAIS. You can select a menu option by clicking on the button to the left of the menu item. The options available in FAIS are:

**Enter asset information**-this screen is for entering new and transferred-in assets only.

**Enter Multiple Purchase**-for entry of multiple assets with identical fields.

**View/Edit asset information**-this screen allows the viewing and editing of any previously entered assets. This screen is also the access to entering in the betterments and disposal screens.

**Asset Maintenance**-this is an optional screen available to track routine maintenance on capital asset equipment.

**View Reports**-this option opens the report menu screen

Reports available are as follows:

- Assets by Serial Number
- Assets by Description
- Assets by Inventory Number
- Assets by Division
- Assets by Unit-this requires that the unit table be completed
- Assets by Value-the report can be run at a value entered by you
- Assets by Class Code-runs class codes and descriptions according to the MAPS class code table
- Disposed Assets-a report of assets disposed that have not been archived in the history table

**Asset History Options**-this option opens the History options menu

Asset history options include:

1. Moving disposed assets from the active to the history table
2. Viewing the asset information in the history table
3. Purging the history file by disposal date
4. Returning to the Main Menu

**Reporting Requirement Information to be Submitted**-this exports to a text file by e-mail to the Department of Finance for the Comprehensive Annual Financial Report (CAFR) reporting requirement.

**Exit**-this option closes the FAIS file and exits Access.

**G. Adding New and Transferred Assets:**

1. Select the first option on the main menu titled, "Enter Asset Information".
2. The Asset Inventory entry screen appears. All required and optional fields are available for entry.
3. The following fields are required to exit the asset inventory entry screen:
  - Asset Number
  - Asset Life
  - Class Code
  - Acquisition Date
  - Acquisition Price
  - Status
  - Agency
  - Fiscal Year
  - Fund
  - Amount
4. Once the required fields are entered the asset has been added to the active inventory table. No saving is required.
5. An explanation of the data fields follows; all fields for which information is available should be completed.
6. Another option available for entry is the Multiple Purchase Entry screen. This screen is useful for entering groups of assets, which have identical information for most fields. Simply enter the first asset record, press copy entered records, and update the fields for the next record, keep repeating until all the new assets are entered and close the screen.

## **H. Modifying the FAIS Asset Record:**

1. Select the View/Edit Asset Information option from the main menu.
2. A screen identical to the asset entry screen will be displayed. All agency assets will be available. To find the asset you are inquiring on simply scroll through the records using the scroll buttons on the bottom left of the screen or to select a specific record hit **Ctrl-F** or the **Find** button, type in the asset number, hit enter, and close the prompt box.
3. Any of the available fields may be edited. To delete a record you must dispose of the asset record.
4. To exit the screen, select Close/Save from the upper right of the screen.

## **I. Entering Betterments to Existing Assets:**

1. Select the View/Edit Asset Information option from the main menu.
2. Next to the betterments exist check box click on the Add/View betterments button.
3. The betterments form opens; the betterment date, amount, life and fund are required fields.
4. To exit, choose Close/Save from the upper right corner of the form.

## **J. Inquiring on FAIS:**

1. Select the View/Edit Asset Information option from the main menu to view active assets of the History Options Menu and view asset history file to view disposed assets.
2. Either screen will look similar to the asset entry screen. Scroll through the records by using the arrows at the bottom left of the screen.
3. To exit the screen select Close/Save form the upper right of the screen.

**K. Disposing or Transferring of Assets on FAIS:**

1. Select the View/Edit Asset Information option from the main menu.
2. In the Status field select disposed, surplus, or transferred.
3. The Asset Disposal screen appears.
4. You must enter the Disposal date and a disposal code for all disposals and transfers. For transfers you must also enter the transfer to agency. Send a screen print of the transferred asset to the transfer to agency to ensure all of the record details are available to the new agency.
5. To exit the disposal screen click on the Close/Save button in the upper right corner of the screen.
6. Disposed/Transferred assets will remain on the active table until you move to history through the history options menu.

**L. Disposal Codes Available:**

<u>Code</u>	<u>Description</u>
A	Sale (Auction)
B	Sale (Sealed bid)
C	Sale (Negotiated)
E	Sale (Other comments required)
F	Trade-in
G	Lost or stolen
H	Salvaged for parts
J	Recycled (includes scrap)
K	Number retirement
L	Other disposal (comments required)
T	Transferred to another state agency

**M. Reporting from FAIS:**

1. Select the View Reports option from the main menu.
2. The Report menu appears giving you 8 standard report options.
3. Select the report you wish to view by clicking in the circle next to the description. Select the Preview button to view the report. Once in Preview you may print by either choosing file, print or depressing the print icon on your toolbar.
4. To close the preview screen choose file, close or the back button from the toolbar.
5. If you choose a report that returns no information or an error, ensure that the information the report is sorting by has been entered for every asset. The By Unit and By Division reports also require a table to be completed.
6. To exit the reports menu depress the Main Menu button.

#### **N. Reporting to Finance from FAIS:**

1. Select the Reporting Requirement Information to be Submitted menu option.
2. A prompt will require you to enter the maximum dollar value of an asset to be included, for all assets enter 0; otherwise enter 30000.
3. An informational message will appear stating; “Report has been output to selected destination. Depress the OK button and FAIS returns you to the main menu.

#### **O. Customizing Tables:**

FAIS contains a few optional tables that can be used for additional information such as: the divisions, units, buildings, and employee tables. These tables need to be filled in with each agency’s individual information if they wish to utilize the field.

1. At the main menu press F11.
2. The Access main window will appear, select the table tab and double click on the table you wish to complete.
3. Enter data for the column fields given. (If a blank field is an option include a description in your table.)
4. Once you have entered all data necessary, click anywhere on the FAIS main menu and the system is ready.

**P. History File Options:**

The system allows disposed assets to be transferred to a history file temporarily until you wish to delete them permanently. Assets will still be able to be viewed from the History file.

1. From the main menu select Asset History Options.
2. The Asset History Menu appears, giving you 3 history menu options including, viewing assets, moving assets from the active to history and purging the history file permanently.
3. View History file displays the assets in the history file in the same format as the active asset file.
4. Move Inactive Assets to history File will move all assets with a disposal date to the history table. (Note: if you choose cancel the assets will not move).
5. Purge History File deletes all assets from the history table that have a disposal date earlier than the date you enter. For example if you wanted to remove all assets disposed before FY96 you would enter 7/1/95 and everything disposed of 6/30/95 and earlier would be permanently deleted.
6. To exit the History menu choose return to main menu.

**Q. Asset Maintenance:**

FAIS contains an asset maintenance option for recording routine maintenance on fixed assets. This function is optional.

1. Select Asset Maintenance form the FAIS main menu.
2. The Asset Maintenance screen appears and prompts for the asset number, the maintenance date defaults to entry date but can be edited, who performed the work, cost of work performed, and a comments area for additional information.

**FAIS CLASS CODES**

<b>Class Code</b>	<b>Description</b>	<b>Estimated Life</b>
085A	AGRICULTURE/BOTANICAL EQUIP	10
131A	AIR/WATER PURIFICATION EQUIP	8
410A	AIRCRAFT MISC EQUIP	10
111A	AIRCRAFT, FIXED WING	10
125A	AIRCRAFT, ROTARY WING	10
439A	ANIMAL HANDLING EQUIP	10
157A	ARTS & CRAFTS EQUIP	10
162A	ATHLETIC & SPORTING EQUIP	15
274A	ASTRONOMICAL INSTRUMENT	10
216A	AUDIO/VISUAL EQUIP	5
448A	AUTO	4
120A	AUTOMOTIVE REPAIR/MAINT EQUIP	15
284A	BARBER/BEAUTY SHOP EQUIP	10
320A	BOAT/WATER CRAFT	10
098A	BOILER, INDUSTRIAL/PORTABLE	20
006A	BUS, PASSENGER	4
424A	CLEANING/POLISHING EQUIP	10
100A	COMPRESSOR	15
306A	COMPUTER	5
307A	COMPUTER PERIPHERAL	8
010A	COPY MACHINE	5
080A	CRANE/HOISTING/LIFTING EQUIP	12
265A	DENTAL EQUIP	10
079A	EARTH MOVING/EXCAVATING EQUIP	10
396A	ELECTRICAL EQUIP	10
033A	ENGINEERING/SURVEYING EQUIP	10
092A	FANS/BLOWERS/VENTILATION EQUIP	15
351A	FIRE FIGHTING EQUIP	10
105A	FISH/HATCHERY MGMT EQUIP	10
347A	FORESTRY/LOGGING EQUIP	10
119A	FUEL DISPENSING EQUIP	15
021A	FURNITURE/FIXTURES/ACCESSORIES	15
441A	GROUND MAINTENANCE EQUIP	4
153A	HANDICAPPED DEVICE/EQUIP	10
091A	HEATING/AIR COND/REFRIGERATION EQUIP	10
442A	INSTRUCTIONAL AID/EQUIP	5
296A	KITCHEN/DINING ROOM EQUIP	10
262A	LABORATORY/SCIENCE EQUIP	10
343A	LAUNDRY/DRY CLEANING EQUIP	10
372A	LAW ENFORCEMENT/SECURITY EQUIP	10
302A	LIGHTING PORTABLE	10
323A	MARINE RELATED EQUIP	10
187A	MATERIAL HANDLING EQUIP	10
263A	MEDICAL EQUIP	8
339A	METAL WORKING EQUIP	15
272A	METEOROLOGICAL EQUIP	10
369A	MICROGRAPHIC EQUIP	10

Class Code	Description	Estimated Life
443A	LIBRARY EQUIP	10
019A	MAILING/SHIPPING EQUIP	8
349A	MINING/QUARRY/ROCK DRILL EQUIP	10
321A	MOTOR, OUTBOARD	10
394A	MOTOR/GENERATOR, ELECTRICAL	10
141A	MUSICAL INSTRUMENTS/EQUIP	20
015A	OFFICE MACHINE	5
258A	OPTICAL EQUIP	10
031A	PACKAGING/BINDING EQUIP	5
289A	PAINTING EQUIP	10
223A	PHOTOGRAPHY EQUIP	8
032A	PRINTING/LAMINATING EQUIP	10
101A	PUMP	10
215A	RADIO COMMUNICATION EQUIP	10
163A	RECREATION/GAMEROOM EQUIP	10
411A	RECYCLING EQUIP	10
088A	ROAD MAINTENANCE EQUIP	10
354A	SAFETY/RESCUE EQUIP	10
366A	SCAFFOLDING EQUIP/LADDERS	10
065A	SCALE/BALANCE/WEIGHT	20
136A	SEWING/CLOTHING REPAIR EQUIP	10
133A	SIGN/SIGN EQUIP	5
086A	SNOW/ICE MAINTENANCE EQUIP	5
279A	TELECOMMUNICATIONS EQUIP	10
073A	TRACTOR	10
007A	TRAILOR	10
005A	TRUCK	8
001A	VAN	4
071A	VEHICLE, SNOW	10
286A	VENDING MACHINE	10
314A	WEAPON	10
334A	WELDING/SOLDERING EQUIP	10
359A	WOODWORKING EQUIP	15
214A	ALARM/SIGNAL	10
445A	BAR CODE READING EQUIPMENT	8
440A	BUILDING REPAIR/MAINT EQUIP	10
293A	BUILDING/SHELTER, PORTABLE	10
027A	CABINET/LOCKER	15
034A	COLLECTOR/HISTORICAL/ART WORK	20
350A	CONVEYOR EQUIPMENT	10
353A	DIVING/SALVAGE EQUIPMENT	5
326A	DRILLING/BORING/TAPPING MACHINE	15
152A	ECCLESIASTICAL EQUIPMENT	10
257A	ELECTRONICAL EQUIPMENT	10
075A	ENGINE DIESEL/GAS	10
030A	FIXTURES, STORE/DISPLAY	15
261A	HAZARD DETECTING EQUIPMENT	10
443A	LIBRARY EQUIPMENT	10

<b>Class Code</b>	<b>Description</b>	<b>Estimated Life</b>
019A	MAILING/SHIPPING EQUIPMENT	8
259A	MEASURING/COUNTING EQUIPMENT	10
437A	MICROWAVE SIGNAL EQUIPMENT	10
436A	MONEY HANDLING EQUIPMENT	8
008A	MOTORCYCLE/MOTORSCOOTER/ATV	10
344A	SHOE REPAIR EQUIPMENT	10
365A	STORAGE TANK	15
438A	SURVEILLANCE EQUIP SPECIALIZED	10
398A	TESTING EQUIPMENT/FIELD	15
444A	THEATRICAL EQUIPMENT	15
036A	TIME MEASURING EQUIPMENT	10
446A	TOOL, HAND/MULTIPURPOSE	10
363A	TOOL/HARDWARE STORAGE EQUIPMENT	15
038A	TRAFFIC CONTROL DEVICE	20
375A	VEHICLE COMPONENT	8

**Capital Asset Inventory System  
Data Directory**

This page describes the fields contained in the FAIS program and in the Master Statewide program managed by the Department of Finance.

<b>Field Name</b>	<b>Data Type</b>	<b>Size</b>	<b>Field Description</b>
INV_NRB*	Text	20	Asset number (including prefix)
INV_DESCI*	Text	50	Item description
MFG_NAME	Text	30	Name of manufacturer
MODEL_NBR	Text	30	Model number of asset
SERIAL_NBR	Text	20	Serial number of asset
CLASS_CD*	Text	10	Class code for asset (including a suffix)
ASSET_LIFE*	Number	8	Useful life of asset
ACQ_DATE*	Date/Time	8	Date asset received
ACQ_PRICE*	Currency	8	Purchase price
QUANTITY	Number	2	Quantity of items
AGCY_NBR*	Text	3	State agency number
DIV_NBR	Text	5	Agency division number
STATUS*	Text	1	Status of asset
LOCATION	Text	7	Physical location of asset
BLDG_NBR	Text	10	Agency's or FARMS building number
FLOOR	Text	10	Floor of building that asset is located on
PO_NBR	Text	10	Purchase order number for asset or betterment
LST_INV_DATE	Date/Time	8	Date of last inventory asset was included
BETTERMENT	Yes/No (Y/N)	1	Does a betterment to the asset exist?
TRAN_AGCY	Text	3	Agency transferred from
TRAN_DIV	Text	5	Division of agency transferred from
COMMENTS	Memo	255	Optional comments field
FISCAL_YR*	Text	4	Fiscal year of funding
FUND*	Text	4	Fund asset purchased from
APPR_UNIT	Text	4	Appropriation unit asset purchased from
EXP_ORG	Text	4	Expenditure org. asset purchased from
OBJ_CDE	Text	4	MAPS object code asset charged to
AMOUNT*	Currency	8	Cost charged to each line of funding
BTRMNT_DT	Date/Time	8	Date betterment received
BTRMNT_AMT	Currency	8	Cost of betterment received
BTRMNT_LIFE	Number	2	Life of betterment or additional years to asset
DISP_TYPE	Text	1	Was asset transferred, disposed, or surplusd?
DISP_DATE	Date/Time	8	Date asset was disposed of
DISP_CODE	Text	1	Method asset was disposed of
DISP_AUTH	Text	3	Authorization for disposal
DISP_EXP	Currency	8	Any costs associated with disposal
DIS_PROCEEDS	Currency	8	Any proceeds from disposal of asset
TRAN_AGCY	Text	3	Agency transferred to
TRAN_DIV	Text	5	Division of agency transferred to

\*Denotes required field to be submitted to the Department of Finance

<b>Forms</b>
--------------

- |   |
|---|
| • Agreement to take state-owned property out of the workplace |
| • Bid Tabulation Form   |
| • Gift Acceptance Form  |
| • Intra-Agency Property Transfer                              |
| • Property Disposition Request                                |
| • State Employee's Personal Property                          |
| • Stolen, Lost, Damaged, or Recovered Property Report         |
| • Substitute Receiving Report                                 |
| • Surplus Property Sealed Bid Form                            |

## Agreement to take state-owned property out of the workplace

(Dept/Division)

### Employee

Employee Name		Phone	
Work Address	City	State	Zip

### Contractor

Contractor Name		Contract Number	Phone
Address	City	State	Zip

### Location where property will be used

Location		Phone	
Address	City	State	Zip

### Property

Property Description (i.e., laptop, cell phone, pager, software and data, etc.)	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 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, for example, state-owned software shall not be duplicated. To ensure hardware and software security for state-owned equipment, all software must be approved by the supervisor and manager. Employee-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.	Manager/Supervisor	Date
	Division Director	Date
Employee or Contractor	Date	

Original to Supervisor  
 Copy to employee and Inventory Coordinator/Subordinator  
 7/1/05

**BID TABULATION SHEET  
SURPLUS PROPERTY SEALED BID SALE**

Date Bid: \_\_\_\_\_ Bid Due Date: \_\_\_\_\_

BIDDER	COMPANY NAME	CONTACT PERSON	TELEPHONE NUMBER	DATE BID RECEIVED	BID SECURITY RECEIVED	BID SECURITY AMOUNT
A						
B						
C						

ITEM	FULL DESCRIPTION OF ITEM	QUANTITY	UNIT	BIDDER A		BIDDER B		BIDDER C	
				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:   _____ _____ _____
--	---

January 2006



## 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

<b>Section 1: Effective Date of Transfer</b> _____ (mm/dd/yy)			
<b>Section 2: Intra-Agency Transfer :</b>			
Transferred From _____			
Transferred To _____			
<b>Section 3: Description</b>			
Asset #	Description (Include Serial #, Model #, PO # and any other identifiers)	Item Location	Book Value
<b>Section 4: Comments or Explanation of Transfer</b>			
<b>Section 5: Transfer Authorization (Sending Unit)</b> I certify that this is state-owned property and is not subject to any lien, restriction or other encumbrance		<b>Section 7: To Be Completed by Sending Unit upon receipt of signed form from the Receiving Unit.</b>	
<b>Signature:</b>		Asset Coordinator Signature & Date	
<b>Title:</b>			
<b>Phone #:</b>			
<b>Date Shipped:</b>			
<b>Section 6: To Be Completed By Receiving Unit</b>			
(a)		(b)	
_____		_____	
Receiving Employee Signature & Date		Asset Coordinator Signature & Date	

Send original to receiving unit for signature and return to the asset coordinator. A copy of the signed form is sent to the sending unit asset coordinator.

## INTRA-AGENCY TRANSFER

**Instructions:**

<b>Section 1</b>	Provide the date of the transfer between agency units.
<b>Section 2</b>	Enter the units sending and receiving the property.
<b>Section 3</b>	List the asset number if applicable, description, location and the book value of the property. Use one line per item. List additional information on a separate page.
<b>Section 4</b>	Provide any additional details.
<b>Section 5</b>	<b>Transfer Authorization</b> – The individual authorizing the intra-agency transfer must sign the form and indicate the date the property was shipped. Provide the original copy of this form to the receiving unit to serve as a shipping document.
<b>Section 6(a)</b>	<b>Receipt Verification</b> – The employee of the receiving unit must sign and date the original form upon receipt of the property. The employee must then return the original form to the receiving unit’s asset coordinator.
<b>Section 6(b)</b>	<b>Posting</b> – Upon receipt of the original, the receiving unit’s asset coordinator must sign and date the form indicating the transaction information was posted to the recordkeeping system, if applicable. The receiving unit asset coordinator must retain a copy and forward the original to the sending unit’s asset coordinator.
<b>Section 7</b>	<b>Posting</b> – Upon receipt of the original signed copy, the sending unit asset coordinator must sign and date the form indicating the transaction information was posted to the unit’s recordkeeping system, if applicable.



Department of Administration  
 Materials Management Division  
 Surplus Services  
 5420 Highway 8 (I35W & Cty Rd D)  
 Arden Hills, MN 55112  
 Voice: 651.639.4024  
 Fax: 651.639.4026

## Property Disposition Request

Department/Agency	Division	Section	Date
Street Address	City, State, ZIP Code	Contact Person Name	Telephone
Recommended disposition: <input type="radio"/> Transfer <input type="radio"/> Sale <input type="radio"/> Scrap <input type="radio"/> 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

\*Asset number, weight, dimensions, vehicle identification number, etc.  
 I certify that this is state-owned property and is not subject to any lien, restriction or other encumbrance.

Deposit Proceeds to:

Fund	<input style="width: 20px; height: 15px;" type="text"/>	<input style="width: 20px; height: 15px;" type="text"/>	<input style="width: 20px; height: 15px;" type="text"/>
Agcy	<input style="width: 20px; height: 15px;" type="text"/>	<input style="width: 20px; height: 15px;" type="text"/>	<input style="width: 20px; height: 15px;" type="text"/>
Appr	<input style="width: 20px; height: 15px;" type="text"/>	RevSrc	<input style="width: 20px; height: 15px;" type="text"/>

Authorized Signature \_\_\_\_\_ Title \_\_\_\_\_ Date \_\_\_\_\_

Materials Management Division Use Only	
Approved Disposition	Disposition Date
	Funds Deposit Date
	Surplus Services Authorization

NOTE: Page 2 must be completed if any of the above items are computers with hard drives intact.

12/04

**CERTIFICATION OF DATA REMOVAL FROM SURPLUS COMPUTERS  
IN ACCORDANCE WITH INFORMATIONAL BULLETIN ADMIN 03-01**

	<b>Computer Serial Number</b>	<b>Software used</b>
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		

**I hereby certify that the computers identified above have had the hard drive sanitized  
in accordance with Information Bulletin Admin 03-01**

<input type="text"/>	<input type="text"/>
<b>Name</b>	<b>Date</b>
<input type="text"/>	<input type="text"/>
<b>Signature</b>	<b>Agency</b>





## Stolen, Lost, Damaged or Recovered Property Report

Department/Agency		Division	Section	Date
Address			Telephone	
Nature of report: <input type="checkbox"/> Stolen <input type="checkbox"/> Lost    If damaged or stolen, how? <input type="checkbox"/> Vandalism <input type="checkbox"/> Burglary (break-in) <input type="checkbox"/> Damaged <input type="checkbox"/> Recovery <input type="checkbox"/> Theft <input type="checkbox"/> Other _____				
Work unit and/or individual's name property was assigned to			Date of loss	Time of loss, if known <input type="checkbox"/> am <input type="checkbox"/> pm
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		Telephone Number
Has Admin Form 761 been submitted? <input type="checkbox"/> Yes <input type="checkbox"/> No			Report completed by (name, title and telephone number)	
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 (name, title and telephone number)	
			<i>May 1999</i>	





## Glossary

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**Accountability Threshold:** The dollar value at which the state elects to track asset categories including capital assets, sensitive items, consumable inventories, and supplies in a record-keeping system for accountability and stewardship purposes.

**Appreciated:** Increased in value.

**Asset:** Any item owned by the State of Minnesota.

**Betterment:** Enhancement (addition or improvement) to an asset that provides increased or improved service. This increases the value and/or life of the asset.

**Capital Asset:** For accountability and stewardship purposes, capital assets include property that costs \$5,000 or more (including applicable sales taxes and other ancillary charges such as installation and shipping fees), has a normal useful life expectancy exceeding two years, and maintains its identity while in use. Examples include equipment, vehicles, historical treasures, capital leases, infrastructure (see also Section 4) and leasehold improvements. Capital assets also include certain software for internal use as noted in Section 3. Capital assets also include, regardless of cost, all land, buildings, and betterments to existing capital assets.

**Capitalization Threshold (or financial reporting 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.

**Class Code:** Code numbers/letters that identify assets with common characteristics. See example on pages 11-13 to 11-15 in the Capital Asset Inventory (FAIS) User's Guide (Section 11) of this user guide.

**Component:** Part of another asset.

**Confiscated Items:** Items seized as a penalty or appropriated that are recorded at their estimated fair market value at the time of receipt that are kept for agency use, as allowed by statute.

**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).

**Cycle Count:** The process of taking a physical inventory by dividing an agency into roughly equal areas and conducting a complete physical inventory of each area within one year or other pre-established time frame.

**Depreciated:** Decreased in value.

**Department/Agency:** A State organization that offers a particular kind of service and/or an administrative division of a government organization.

**Disposal:** The process of physically removing an asset as authorized on the [Property Disposition Request](#) form.

**Donated:** A gift to the State of Minnesota.

**Employee Personal Property:** An asset owned by a State employee, located at his or her work location on State property.

**Fair Market Value:** The estimated cost of an asset that is used when the actual cost is unknown. As defined by investorwords.com, “The price that an interested but not desperate buyer would be willing to pay and an interested but not desperate seller would be willing to accept on the open market assuming a reasonable period of time for an agreement to arise.”

**Federal-funded Assets:** An asset acquired with federal funds.

**Infrastructure:** Infrastructure is defined as “tangible property that is normally both stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include fiber optic networks, roads, bridges, tunnels, drainage systems, water and sewer systems, and dams.

**Inter-agency Transfer:** A transfer of property between two agencies as authorized on a [Property Disposition Request](#) form.

**Intra-agency Transfer:** A transfer of property within an agency.

**Lien:** Lien is the broadest term for any sort of charge or encumbrance against an item of property that secures the payment of a debt or performance of some other obligation.

**Physical Inventory:** To take an actual physical count of all assets on inventory for an agency.

**Sale:** A sale of an asset for an agreed sum of money to another state agency, local unit of government or to the general public.

**Sensitive Items:** As established by agency policy, these are items that are generally for individual use, or that could be easily sold and are most often subject to pilferage or misuse. Firearms and other weapons, personal computers (PCs - both desktop and portable models), network servers, cellular phones, and personal digital assistants (PDA) are sensitive items. Other examples include printers, other PC accessories that are detachable from the PC (modems, external disk drives, tape backup systems, scanners), software for internal use under \$30,000 total acquisition cost, wireless technology, televisions and other video equipment, projectors, citizen-band and other two-way radios, cameras, tape recorders, global positioning satellite (GPS) devices, TTY equipment, facsimile machines, pagers, portable power tools (including tool sets and tool boxes) and vehicle parts (tires and batteries).

**Software for Internal Use Only:** Software for internal use is software that is intended to meet the state’s internal needs. It may either be purchased or internally developed. If the software is internally developed, to be considered for internal use, there must be no substantive plan under consideration to market the software externally.

**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).

***Surplus:*** Any state property, including commodities, equipment, materials, supplies, books, printed matter, 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.

# Statewide Inventory Property Management and Reporting Policy

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Admin  
**MINNESOTA**

Department of Administration

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Office of the Commissioner  
200 Administration Building  
50 Sherburne Avenue  
St. Paul, MN 55155  
Voice: 651.296.1424  
Fax: 651.297.7909

## MEMORANDUM

DATE: October 9, 2003

TO: Agency Heads

### INFORMATIONAL BULLETIN ADMIN 03.19

FROM: Brian J. Lamb  
Commissioner

Handwritten signature of Brian J. Lamb in black ink.

SUBJECT: Property Management Reporting and Accountability

### CHANGES TO EXISTING POLICY

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

Major revisions clarifying agency requirements pertaining to state property are:

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

### PURPOSE

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

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

## **DEFINITIONS**

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

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

## **POLICY**

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

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

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

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

## **BACKGROUND**

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

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

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

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

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

*Subd. 6. General powers of commissioners.*

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

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

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

## **See Also**

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

## Other Pertinent Information

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Department of Administration  
Informational Bulletin Admin 02-15



*Admin*  
**MINNESOTA**

Department of Administration

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**DATE:** May 22, 2002

**INFORMATIONAL  
BULLETIN  
02-15**

**TO:** State Agency Heads

**FROM:** David Fisher, Commissioner

**SUBJECT: New Fixed Assets Records Retention Schedule**

The records disposition panel has approved a new records retention schedule for fixed assets records in state agencies. Promulgated by the Department of Finance, the schedule was assigned number 02-136; a copy is attached. Please provide a copy to the records manager in your agency.

The revised schedule is effective immediately, and agencies can begin managing these records according to this schedule.

The schedule is available on the Web at <http://www.ipad.state.mn.us> under the heading "records management."

**General Records Retention Schedule for State Agencies  
Fixed Asset Inventory – Schedule #02-136, May 2002  
(Supersedes Schedule #82-287)**

<b>Item No.</b>	<b>Record Title/Description</b>	<b>Location</b>	<b>Form No.</b>	<b>Retention Period (Years)</b>	<b>Archival</b>	<b>Data Privacy</b>
1	State Employee Personal Property	Agency	MM-00052 (Admin 760)	Retain until property is removed from agency.	No	Public
2	Completion of Inter-Agency Transfers (Memo)	Agency	MM-00066	3	No	Public
3	Class Code List	Agency		Destroy when superseded.	No	Public
4	Summary of Equipment Report	Agency		3	No	Public
5	Fixed Asset Summary Report (PO Transactions Greater than \$10,000)	Agency		3	No	Public
6	Construction-in-Progress Datasheets	Agency		3	No	Public
7	Summary of Land Reported	Agency		3	No	Public
8	Building Inventory Reports	Agency		3	No	Public
9	Fixed Asset Fwd 590 Schedules and Notes	Agency		3	No	Public

**Note: Items originally listed as numbers 1 through 8, 10 through 12, 14 through 17 and 19, on Schedule #82-287 are OBSOLETE and removed from the schedule.**

**Source of Schedule #02-136:** <http://www.ipad.state.mn.us/docs/sfainvent.doc>



**INFORMATIONAL BULLETIN  
ADMIN 06-02**

**DATE:** January 20, 2006  
**TO:** State Agency Heads

**FROM:** Dana B. Badgerow, Commissioner

**SUBJECT:** New State Property Management (other than real property) Records Retention Schedule

The records disposition panel has approved a new records retention schedule for State Property management (other than real property). The two-page attachment includes the approval by the State Records Disposition Panel and the new schedule, which has been assigned the number 06-056. Please provide a copy to the records manager in your agency.

The revised schedule is effective immediately; agencies should begin managing these records according to this schedule.

1. Schedule Number <i>06-056</i>	Date <i>10/27/05</i>	2. New	Revision of #79-403 & 79-405 DIVISION	MINNESOTA RECORDS RETENTION SCHEDULE	
3. Agency Administration Department	4. Division/Section <i>FMR Financial Management Reporting</i>	6. Page <i>1</i>	of <i>2</i>	See attached page(s) for records description	
5. Address <i>209 Admin Bldg 50 Sherburne Ave, St. Paul, MN 55155</i>	7. For Use By Records Panel Only				
<p><b>AUTHORIZATION:</b> Under the authority of M.S. 138.17, it is hereby ordered that the records listed on this application be disposed per approved schedule.</p>		<p>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.</p>			
8. Agency Records Management Officer (signature) <i>Julie A Paser</i>	Date <i>10/19/05</i>	11. Minnesota Historical Society, Director <i>Charles Grogger</i>		Date <i>27 Oct 2005</i>	
9. Type Name / Phone <i>Julie A Paser 651-201-2531</i>	Date <i>10/19/05</i>	12. Legislative or State Auditor <i>David J. Faber</i>		Date <i>10/31/05</i>	
10. Agency Head or Designee (signature) <i>Ann R. My</i>	Date <i>10/19/05</i>	13. Attorney General <i>Patricia Nolte</i>		Date <i>12-12-05</i>	
Original-State Records Disposition Panel					

Copy 1-Agency (after approval)

**General Records Retention Schedule for State Agencies**  
**State Property Management (other than real property)**  
**(Supersedes Schedules 79-403 and 79-405)**

Item No.	Record Title/Description	Location	Form No.	Retention Period	Archival	Data Privacy
1	Physical Inventory and Spot Check Reports	Agency		Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).	No	Public
2	Dept./Agency Internal Stock Requisitions	Agency		Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).	No	Public
3	Perpetual Inventory Records	Agency		Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).	No	Public
4	Inventory Distribution Forms	Agency		Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).	No	Public
5	Inventory Audit Worksheets	Agency		Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).	No	Public
6	Building Inventory Reports	Agency		Permanent record retained by building owner	No	Public
7	Property Disposition Request (including Data Removal Certification)	Agency	(Note: previously 761 form)	Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).	No	Public
8	Inventory Transfer Forms (Intra-Agency)	Agency		Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).	No	Public
9	Sealed Bid Documents (from sale of surplus property)	Agency		Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).	No	Public
10	Stolen, Lost, Damage, or Recovered Property Report	Agency		Current year plus three (3) fiscal years or until audit, whichever occurs first (see Audit note).	No	Public

**Audit note:** Current year refers to current fiscal year. Audit refers to one conducted by the Legislative Auditor. 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 program are met.

Department of Administration  
Informational Bulletin Admin 03-01



*Admin*  
**MINNESOTA**

Department of Administration

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**DATE:** January 21, 2003

**INFORMATIONAL BULLETIN  
ADMIN 03-01**

**FROM:** Brian Lamb, Commissioner

**TO:** State Agency heads

**SUBJECT:** Data removal from surplus computers

The security of information stored electronically is a significant concern for Minnesota government. This bulletin is intended to assist agencies in preventing the unauthorized or accidental release of data stored on computers that are declared surplus. It is the responsibility of each agency to assure that data is not recoverable from these computers.

Overwriting, also called sanitizing or scrubbing, is the accepted method for preventing the recovery of data from computer hard drives. Overwriting of data means replacing previously stored data on a drive or disk with a predetermined pattern of meaningless information. Overwriting software must have the ability to purge all data or information from the physical or virtual drives, thereby making it impossible to recover any meaningful data by keyboard or laboratory attack.

Hard drives must be overwritten at least six times before Surplus Services will approve their redistribution or recycling. Several products are available for accomplishing overwriting, or are included in software "suites" that may already be in use by agencies. Research by Materials Management Division has determined that one inexpensive solution is Wipe Drive Pro, available through the state's contract vendor, Software House International.

Hard drives of surplus computers must be sanitized in accordance with this advisory. Each agency must certify in writing to Materials Management Division, Surplus Services, that the sanitation process has been completed. The following information must be provided with any computer made available for surplus:

1. Computer serial number and software used;
2. Name, date and signature of the person performing the sanitization.

This certification must be included with the 'Property Disposition Request' form available on the MMD web site at <http://www.mmd.admin.state.mn.us/pdf/pdr.pdf>. Surplus Services will not accept computers without this information. MMD also maintains a contract that ensures environmentally responsible disposal of non-working computers. These computers must also be sanitized in accordance with this advisory. For more information, visit the MMD web site at [www.mmd.admin.state.mn.us](http://www.mmd.admin.state.mn.us).

## Ensuring Control over Noncapitalized Items (2005) (CAAFR)

**Background.** Accountants use the term *capital assets* to describe “tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.”<sup>1</sup> As a practical matter, not all items that technically meet this definition should be capitalized for financial reporting purposes.<sup>2</sup> When potentially capitalizable items are not, in fact, capitalized, care must be taken to ensure that adequate control is maintained over any such items that fall within the following categories:

- *Items that require special attention to ensure legal compliance.* Legal or contractual provisions may require a higher than ordinary level of accountability over certain capital-type items (e.g., items acquired through grant contracts);
- *Items that require special attention to protect public safety and avoid potential liability.* Some capital-type items by their very nature pose a risk to public safety and could be the source of potential liability (e.g., police weapons);
- *Items that require special attention to compensate for a heightened risk of theft (“walk away” items).* Some capital-type items are both easily transportable and readily marketable or easily diverted to personal use (e.g., sound equipment).

Noncapitalized items that require special attention because they are sensitive for one or more of these reasons might be described as *controlled capital-type items*.

**Recommendation.** The Government Finance Officers Association (GFOA) recommends that every government undertake a systematic effort to identify all of its controlled capital-type items.

*Control normally should occur at the departmental level.* Departments typically would be expected to concern themselves with controlled capital-type items as an integral part of the process they use to achieve their operational goals. Therefore, individual departments, rather than a centralized finance function (or other designated finance function), normally should be the focus of control efforts.

*Control responsibility should be assigned within each department.* Control cannot be divorced from accountability. Consequently, departments should assign responsibility for different groups of controlled capital-type items to one or more specific individuals. That assignment should be documented within the department and communicated to the centralized accounting function (or other designated finance function). Likewise, changes in assignments should be documented and communicated.

<sup>1</sup> See GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraph 19.

<sup>2</sup> See GFOA's recommended practice on “Establishing Appropriate Capitalization Thresholds for Capital Assets” (2001)

*Individuals responsible for controlled capital-type items should prepare and maintain a complete list of those items each year within the department. At the close of each fiscal year, every individual assigned responsibility for controlled capital-type items should prepare a report (to be maintained within the department) that provides a complete list of those items, along with an explanation of changes from the previous year.*

*Departments should certify each year to the central accounting function (or other designated finance function) that updated lists of controlled capital-type items are on file and available for inspection. Each department should designate an individual to be responsible for verifying that lists of all controlled capital-type items have been filed each year, as required. The responsible manager in the department should then certify to the central accounting function (or other designated finance function) that those lists are 1) on file and available for inspection and 2) reliable and complete. A sound framework of internal control is necessary to afford a reasonable basis for this certification.<sup>3</sup>*

*The central accounting function (or other designated finance function) should periodically verify the data on controlled capital-type items on file in each department. No less than once every five years on a rotating basis (more frequently for particularly sensitive items), the central accounting function (or other designated finance function) should ensure that procedures are performed to verify the reliability and completeness of the data on file in each department concerning controlled capital-type items.*

Approved by the GFOA's Executive Board, October 11, 2005.

Source: Government Finance Officers Association (1997, updated 2001) ([www.gfoa.org](http://www.gfoa.org))

<sup>3</sup>See GFOA's recommended practice on "Enhancing Management Involvement with Internal Control" (2004).

## **The Need for Periodic Inventories of Tangible Capital Assets (1997, updated 2001)**

**Background.** The term "capital assets" is used to describe assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Tangible capital assets include land, buildings, building improvements, vehicles, machinery, equipment, and infrastructure. It is essential that governments establish and maintain appropriate inventory systems for their tangible capital assets. Such systems are needed to protect tangible capital assets from the danger of loss or misuse.

Many governments have installed "perpetual" inventory systems to maintain effective control over their tangible capital assets. Perpetual inventory systems are constantly updated to reflect additions and deletions of tangible capital assets, thus providing managers with direct access throughout the year to reliable information on current balances in tangible capital asset accounts.

One advantage of establishing and maintaining a sound perpetual inventory system for tangible capital assets is that such a system can relieve a government of the burden of performing an annual inventory of its tangible capital assets. Instead, managers and auditors can use tests of randomly selected items to verify that the inventory system for tangible capital assets is continuing to function properly as designed.

**Recommendation.** The Government Finance Officers Association (GFOA) recommends that every state and local government perform a physical inventory of its tangible capital assets, either simultaneously or on a rotating basis, so that all of a government's tangible capital assets are physically accounted for at least once every five years. While well-designed and properly maintained perpetual inventory systems can eliminate the need for an annual inventory of a government's tangible capital assets, no inventory system is so reliable as to eliminate completely the need for a periodic physical inventory of a government's tangible capital assets.

Source: Government Finance Officers Association (1997, updated 2001) ([www.gfoa.org](http://www.gfoa.org))

## **Sample Agency Policies and Procedures**

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This section will be updated as new agency policies are issued and shared with Admin.

## FAQs – Frequently Asked Questions

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**1. *When do I have to complete a [Property Disposition Request](#) form?***

A [Property Disposition Request](#) form must be completed anytime you are disposing of state property excluding intra-agency transfers.

**2. *Should I be capitalizing computer software?***

Computer software for internal use should be capitalized in accordance with [MAPS Operating Policy and Procedure 0106-00](#), Capital Asset Reporting, and [MAPS Operating Policy and Procedure 0106-06](#), Accounting for Internally Developed Software Intended for Internal Use Only.

**3. *My state agency is allowing consultants to use state property for their work. How should this be handled?***

Outside consultants may use state property for state work only when allowed by the terms of the contract.

**4. *How do I know if a capital asset is hazardous and if it 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.

**5. *Are public employees permitted to buy cars at a state auction? How often can this be done and what can public employees purchase? What about the garage sale?***

Employees of the state and its political subdivisions are permitted to purchase one motor vehicle at any one auction. Employees of the state and its political subdivisions can purchase any other items at public auction or through the sealed bid process. Employees of the state and its political subdivisions are not permitted to purchase any pre-priced items at the garage sale or anywhere else.

**6. *When is the next auction?***

Live auctions are generally scheduled from March through November and are published on the web at <http://www.mmd.admin.state.mn.us/schedule.htm>

On-line auctions can occur anytime and are published on the web at <http://www.mmd.admin.state.mn.us/mn03008.htm>

## Last Revision Date Table

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<b>Section Number</b>	<b>Section Title</b>	<b>Revision Date</b>
<b>1</b>	<b>Introduction</b>	
<b>2</b>	<b>Capital Assets</b>	
<b>3</b>	<b>Software for Internal Use Only</b>	
<b>4</b>	<b>Infrastructure</b>	
<b>5</b>	<b>Sensitive Items</b>	
<b>6</b>	<b>Consumable Inventory</b>	
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<b>9</b>	<b>Employee-Owned Property in the Workplace</b>	
<b>10</b>	<b>Non-State Property in the Workplace</b>	
<b>11</b>	<b>Capital Asset Inventory (FAIS) User's Guide</b>	
<b>12</b>	<b>Forms</b>	
<b>13</b>	<b>Glossary</b>	
<b>14</b>	<b>Statewide Inventory Property Management and Reporting Policy</b>	
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<b>18</b>	<b>Last Revision Date Table</b>	

NOTE: No revisions have been made. The most current sections have a publication date of February 2006.