

Section 2 – Property Management Reporting and Accountability Policy

PROPERTY MANAGEMENT REPORTING AND ACCOUNTABILITY POLICY

Issue Date: May 1, 2014

Objective

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

[Minnesota Statute 16B.24](#) requires:

Subd. 4. Inspections; appraisals; inventories.

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

Agency heads are responsible for the state property acquired by their agencies based on [Minnesota Statute 15.06](#):

Subd. 6. General powers of commissioners.

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

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

This policy is intended to establish a comprehensive statewide policy for the management, reporting and accountability of capital assets, sensitive items, consumable inventory and employee-owned personal property in the workplace. Guidance is available for agencies to use for implementing this policy and is contained in the *State of Minnesota Property Management Policy and User's Guide*.

DEFINITIONS

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

1. **Accountability (stewardship) threshold:** The dollar value at which the state elects to track asset categories including capital assets, sensitive items, consumable inventories, and supplies in a recordkeeping system for accountability and stewardship purposes.
2. **Capitalization threshold:** The dollar value at which the state elects for financial reporting purposes to capitalize tangible or intangible assets that are used in state operations for two or more years. MMB's Statewide Financial policies establish the dollar values for reporting capital assets.

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

1. **Capital Assets:** These items have a normal useful life expectancy exceeding two years, and maintains its identity while in use.
 - Land – all land purchased or otherwise acquired by the state.
 - Buildings – all buildings regardless of acquisition cost.
 - Equipment/Tangible property – defined as property that does not lose its identity when removed from its location and has a useful life of two or more years with an acquisition cost of \$5,000 or more.
 - Infrastructure - Long lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital consistent with the MMB [Statewide Financial policies](#).
 - Art and Historical Treasures – Any painting, sculpture, monuments, or antiquity, etc. with an acquisition cost of \$5,000 or more.
 - Purchased Software – as defined by [Statewide Financial Policies](#) with an acquisition cost of \$30,000 or more.
2. **Sensitive items:** These are items that are generally for individual use, or that could be easily sold and are most often subject to pilferage or misuse. Sensitive items are:
 - firearms and other weapons;
 - computers (desktop, tablets, and laptops) including network servers;
 - portable printers, scanners, projectors;
 - cellular/smartphones and personal digital assistants (PDA);
 - software for internal use with an acquisition cost over \$5,000 and less than \$30,000; and
 - cameras, televisions, and other video equipment with an acquisition cost over \$500; and less than \$5,000.
3. **Consumable inventories:** Items purchased by an agency for (a) reissue/reuse/resale which the agency controls as parts of its ongoing operations (e.g., controlled substances, ammunition, construction materials, bulk fuel, hardware items, maintenance parts, or non-perishable food items that have a long shelf life and are stocked by the agency); or (b) items purchased to be incorporated into or attached to an end item during production, including raw materials or processed materials (e.g., work-in-process, finished goods).
4. **Supplies:** Items purchased by an agency and used immediately or within a reasonable period of time after they are acquired (e.g., office supplies, or instructional materials and supplies that are used up as part of a class or training activity).
5. **Surplus Property:** Any state-owned property with utility or monetary value including capital assets, sensitive items, commodities, equipment, materials, supplies, buildings, and other property, that is obsolete, unused, not needed for a public purpose, or ineffective for current use.

POLICY

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

Use of State Property – Essential Internal Controls

The use of state property must be restricted exclusively for a business-related purpose unless authorized by the [Statewide policy: Appropriate Use of Electronic Communication and Technology](#).

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

Agencies must establish a Code of Conduct Policy and Procedure as required by [Statewide Financial Policy 0103-01, Code of Conduct](#). Critical to the success of any inventory property management program is the control environment. All state employees are expected to understand and comply with [Minnesota Statute 43A.38, Code of Ethics for Employees in the Executive Branch](#), relating to the use of state property. Personnel assigned the responsibility for inventory property management must possess the necessary skills and be sufficiently trained to carry out their responsibilities effectively. Agency executive management must commit resources and support to achieve compliance with these requirements.

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

State Property Recordkeeping

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

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

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

Agencies must conduct complete physical inventories periodically. Complete physical inventories for capital assets and sensitive items must be conducted, at a minimum, biennially. A complete physical inventory for consumable inventories must be conducted, at a minimum, annually.

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

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

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

State property used outside the workplace.

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

- State property used outside the work place must be used in accordance with statutes [Minnesota Statute 16B.55](#) which specifies permitted and prohibited uses of state vehicles. Also, [Minnesota](#)

[Statute 43A.38](#) states that inappropriate use of state property is a violation of the Code of Ethics for Employees in the Executive Branch. Agencies allowing individuals to take state-owned property outside the workplace which contains private or non-public data must ensure that appropriate procedures are in place to prevent unauthorized access to the private or non-public data.

- Documentation must include data indicating what state-owned property is used outside the workplace and by whom (employee name, or consultant name and contract number).
- Contractors may be permitted to use state-owned property off-site provided that their agreement with the state identifies the state-owned property, requires that the state-owned property be returned to the state per the contract terms, or upon the termination/expiration of the contract. Contract terms must state that inappropriate use of such state-owned property is prohibited.

Disposal of State Property

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

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

Personal Property in the Workplace

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