



PROPERTY MANAGEMENT

APPLIES TO SENSITIVE ITEMS, CONSUMABLE INVENTORY,
SUPPLIES, SURPLUS PROPERTY UNDER THE CONTROL OR
POSSESSION OF THE AGENCY
POLICY FM019, EFFECTIVE 2016-09-15

POLICY STATEMENT

Property management reporting and accounting is an essential part of MnDOT's effort to establish internal controls in the department. The MnDOT Property Management policy applies to all sensitive items, consumable inventory, supplies, and surplus property under the control or possession of the agency. ***This policy does not apply to buildings or real property.***

REASON FOR POLICY

- Comply with the [State of Minnesota Property Management Policy and User Guide](#) applicable laws, policies and procedures.
- Establish and maintain a reporting and accounting process for sensitive items, consumable inventory, supplies, surplus property, and employee-owned personal property in the workplace.
- Establish and enforce internal controls intended to protect the agency and its employees.
- Comply with the [MnDOT Code of Ethics Policy and Minnesota Statutes §43A.38](#) Code of Ethics for employees in the Executive Branch.

WHO NEEDS TO KNOW THIS POLICY?

- All MnDOT employees

DEFINITIONS

Annual Count (Wall-to-Wall)

An annual inventory and verification with the results entered in SWIFT inventory module documenting the accuracy of 100% of the items maintained in the inventory module of SWIFT.

Consumable Inventory

Items purchased by an agency for:

- Reissue, reuse or resale which the agency controls as a part of its ongoing operations (such as controlled substances, ammunition, construction materials, bulk fuel, hardware items, maintenance parts, or non-perishable food items, with a long shelf-life and are stocked by the agency; or,

SENIOR OFFICER

Tracy Hatch

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POLICY OWNER

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POLICY HISTORY

2016-09-15, Established

[MnDOT Policy Website](#)

- Items purchased and incorporated into or attached to an end items during production, including raw materials or work-in-progress and finished goods materials.

Cycle Counting

A cycle count must occur on a regular, defined basis (often more frequently for high-value or fast-moving items and less frequently for low-value or slow-moving items). A cycle count is an audit technique that occurs on a cyclic schedule rather than once a year. The key purpose of cycle counting is to identify items in error, thus triggering research, identification, and elimination of the cause of the errors on a timely basis.

Inventory

The value of materials and goods held by an organization:

- To support production (raw materials, subassemblies, work in progress);
- For support activities (repair, maintenance, consumables), or;
- For sale or customer service (merchandise, finished goods, spare parts).

Materials Management

Materials management is the function of managing and maintaining a constantly available supply of raw materials, purchased parts, and supplies. Responsibilities of the office/district materials management staff includes the requisitioning and purchase of materials in economic quantities at the proper time; receipt, storage, and protection of materials; issuing upon authorized request; proper disposal of material at end of useful life; and maintenance and verification of inventory records.

Materials Management Section (MMS)

MMS, as part of MnDOT Office of Administration, provides leadership, direction, and policy development to the agency regarding, but not limited to, purchasing, consumable inventory, serves as a liaison between OSP and MnDOT, and the overall administration of the purchasing card program. The section also provides support and training for MnDOT's Electronic Inter-Office Requesting System (EIOR), Mobile Inventory Application, purchasing cards, and the Statewide Integrated Financial Tools (SWIFT).

Packing Slip

An itemized document of products or services received, examples include, a receiving report, an itemized invoices or any other substitute receipt documentation.

Satellite Inventory Unit

The transfer of ownership or responsibility of materials from a parent (main) inventory unit to a child (satellite) inventory unit so that materials are accounted for, tracked, and available for consumption.

Sensitive Items

Items that are not considered consumable inventory, real property (land and buildings) or capital assets. Oftentimes sensitive items are valued at less than \$5,000, easily sold, subject to pilferage or misuse. This provision does not pertain to software.

Separation of Duties

The separation of duties is an internal control practice designed to reduce the opportunity for errors to protect employees whereby no one person carries out all phases of a business transaction from beginning to end.

Supplies

Items purchased by an agency and used immediately or within a reasonable 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 Property

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

PROCEDURES

Internal Controls

Internal controls must be in place in accordance with [Statewide Financial Policies](#). Districts and offices must ensure adequate separation of duties exists or implement mitigating controls.

An annual review by the Office of Financial Management initiates the process of SWIFT access and role assignments. Offices and districts must evaluate each employee's specific duties to ensure the proper assignment of roles and mitigating controls are in place.

Separation of duties

- No one employee may be solely responsible for all aspects of the purchase of materials. This includes purchasing, receiving, issuing, and adjusting of SWIFT inventory records unless mitigating controls are in place.
- Payment authorization must remain separate from at least one of the duties of purchasing, receiving and issuing of inventory.
- For the inventory adjustment process:
 - Each district and office must have a person authorized to adjust inventory records.
 - Each district and office must have a person outside the inventory center responsible for reviewing, signing, and monitoring of adjustments.
 - The inventory center must research discrepancies, and include documentation for the adjustment on the [Cycle Count and Adjustment Form](#).

Misuse of state property

- All employees must report the misuse of state property to the Fleet Manager, Agency Inventory Coordinator, Office of Audit, CO/District Human Resources, or the employee's manager or supervisor or use the [Report Wrongdoing Form](#).
- Employees are required to report violations of this policy and any significant internal control weaknesses through the designated agency channels and/or other proper authorities within the agency. Thefts, embezzlement, or unlawful use of property must be reported in writing to the Office of the Legislative Auditor, as required by [Minnesota Statute §609.456](#) and [MMB's Statewide Financial and MAPS Procedure 0103-01.1 Code of Conduct](#).

Sensitive Items

The State (as specified by the [State of Minnesota Property Management Policy and User Guide](#)) identifies the following as sensitive items.

- Computers (desktops, tablets, and laptops) including network servers
- Portable printers, scanners, projectors
- Cellular or smart phones and personal digital assistants (PDAs)
- Software for internal use with an acquisition cost over \$5,000 and less than \$30,000
- Cameras, televisions, and other video equipment with an acquisition cost over \$500 and less than \$5,000

Sensitive Item Tracking

- The buyer and/or receiver must identify all sensitive items with a state asset property label or engrave the asset number on slick surfaces
- Each district and office must have a person to track and manage for sensitive items:
 - Remove all state asset property labels before disposing the property
 - Track and account for sensitive items in the SWIFT asset module, with the exception of IT-related items which are tracked in Remedy or purchased by MN.IT Central
 - Conduct a complete physical inventory of sensitive items once every two years, at a minimum

Consumable inventory for all districts and offices

- **Determine the Accuracy of Records**
 - Each district and office with an inventory must assign a person accountable for on-going review of the accuracy of the inventory count records for all locations.
 - Each district and office must perform inventory counts by district or office materials management staff or other employees as assigned.
 - Initial all count sheets by the individual(s) performing the inventory or use the [Mobile Inventory](#) application while entering the count.
 - Each Inventory location must be responsible to keep a minimum of 95% item accuracy per calendar year.
 - Accuracy must be figured using the SWIFT query M_IN_GBL_CC_ACCURACY_SUMMARY.
 - Failure to maintain 95% accuracy must require a complete wall-to-wall inventory.

- Each district and office must decide which method of inventory counting (per inventory center) to use, either cycle counting or an annual count of all items at each inventory location.
- Each district and office must complete a [Cycle Count and Adjustment Form](#) if a discrepancy is corrected or an adjustment is required for transparency.
 - Due to the seasonal usage, manage the following items separately:
 - Herbicides, emulsified asphalt and bulk metal to ensure the accuracy of the inventory.
 - Bulk fuel must be reconciled quarterly. The Materials Management Section will lead this process.
 - Salt and winter mix, and snow/ice chemicals must be reconciled at the end of snow season, prior the end of the fiscal year. The Materials Management Section will lead this process.
- **Bulk Fuel**
 - Capture project cost data using an M5 fuel terminal or a manual method (as approved).
 - Enter transaction information into SWIFT on a routine basis to maintain financial records and inventory balance.
 - Switch fuel terminals to manual only when a malfunction prevents fuel dispensing or maintenance is required. Each district and office may have a control process in place that must include the following:
 - Only authorized employees must bypass automated interface
 - Notification must be made to Fleet Management as soon as possible
 - The unit number, mileage, gallons, type of fuel, and employee ID must be recorded to enable manual entry in M5 and SWIFT.
- **Vending Machines**
 - Vending machines from a vendor on the Department of Administration's industrial supply contract are permissible.
 - The vendor owns the majority of the products in the vending machine until dispensed.
 - District/office(s) must access vendor reports online to establish cost accounting on the purchase orders.
 - District/office(s) must review product usage and trends.
 - District/office(s) must have a blanket purchase order encumbered for at least two months of expected expenses.
- **Usable Materials**

All normally stocked usable materials must be in the consumable inventory system. If the item is ordered at least annually, and is in new or near new condition, the item is tracked in the consumable inventory system.

 - Rebuilt vehicle parts
 - Used signs
 - Materials returned to stock
 - Salvage materials
- **Obsolete Materials and Supplies**

Conduct a review of each inventory periodically to dispose of surplus and obsolete stock. Follow the process in the "Disposal of State Property" section of this policy.
- **Security**
 - Inventory items must be warehoused in secured inventory centers
 - Account for items maintained outside of secured storage
 - Establish procedures to safeguard inventory

Disposal of State Property

Each district and office must follow the procedures outlined in the [State of Minnesota Property Management Policy and User Guide](#) for the disposal of state property addressed in this policy.

Personal Property in the Workplace

The intent of the [State Employee's Personal Property form](#) is to protect employees and the State of Minnesota against claims for injury, damage or loss incurred in connection with the voluntary use of employee-owned property. When an employee separates from the work location, this form serves as proof of ownership.

- The agency is not responsible for employee-owned property while in the workplace.

- Employee-owned property relates to items not purchased by the state. MnDOT employees are discouraged from bringing personal items into the work place valued over \$25.00, unless it is a contractual requirement of their position.
- 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.

The supervisor must send copies of the signed (by both the employee and the supervisor) form to the office/district Human Resources and place in the employee personnel file retain a copy for the supervisor, and the employee.

When the employee leaves state employment or transfers to another state agency, the employee’s supervisor should verify items on the employee-owned property list.

RESPONSIBILITIES

Materials Management Section (MMS)

- Support implementation and compliance with the statewide policy on property management issued by the Department of Administration, [Section 2 - Property Management Reporting and Accountability Policy](#) and the [Property Management Guide Complete](#).
- Provide materials management leadership, direction and support to all MnDOT personnel on issues such as:
 - Inventory Management
 - Sensitive items
 - Surplus property
 - Consumable Inventory
 - Procurement
 - Standardization and specifications
 - Materials management-related technology system modifications and/or improvements
 - Regional issues, accountability, and local activities
- Identify process improvements and recommend best practices within the agency.
- Promote an environment of interdepartmental partnerships to optimize materials management practices.
- Communicate materials management strategic direction.
- Identify or confirm the need for materials management training for the agency and coordinate and facilitate the instruction.

Office/District Materials Management

- Ensure implementation and compliance with the statewide and agency policies on property management
- Promote planning (spending plan and biennial budget), property management, and education
- Evaluate and enhance stakeholder service
- Investigate business opportunities to support partnerships, where appropriate
- Utilize processes developed by MnDOT’s Materials Management Group (MMG); see Related Information below for link to processes
 - Identify and communicate issues and achievements to the Materials Management Section with the goal of continuously improving the overall property management process
 - Process surplus sales of materials according to the [State of Minnesota Property Management Policy and User Guide](#)
 - Ensure credits or checks are applied according to the MnDOT Office of Administration standard work [Applying Credits to Vendor Payments](#)
 - Assign employee responsible for satellite inventory location and policy compliance
 - Require employees be well versed in statutes, rules, and policies regarding property management

FREQUENTLY ASKED QUESTIONS

- Q:** *Whom should I contact with questions on Property Management?*
A: Contact Materials Management Section at *DOT_MMS mms.dot@state.mn.us

FORMS/INSTRUCTIONS

[Purchasing Violation Guidance](#)

[Surplus Resources Form](#)

[Report Wrongdoing Form](#)

RELATED INFORMATION

[MnDOT Purchasing Card Use Policy](#)

[MnDOT Procurement of Goods & General \(non P/T\) Services Policy](#)

Legal references regarding state property use outside the workplace

- [Minnesota Statutes Section §16B.55](#), “Use of State Vehicles; Compensation for Use of Personal Vehicles” that specifies permitted and prohibited uses of state vehicles.
- [Minnesota Statutes §43A.38](#), “Code of Ethics for Employees in the Executive Branch”

[Minnesota Statutes Chapter 13](#), “Minnesota Government Data Practices Act” ensure procedures are in place to prevent unauthorized access to private or non-public data.

POLICY OWNERSHIP AND AUTHORIZATION

Policy Owner

Suzanne Thayer, Director, Office of Administration

Signature and Date Suzanne Marie D. Thayer 9-14-16

Governance Council

Sue Stein, Assistant Commissioner, Corporate Services Division, on behalf of the Governance Council

Signature and Date Sue Stein 9-14-16

Responsible Senior Officer

Tracy Hatch, Deputy Commissioner/CFO/COO

Signature and Date Tracy Hatch 9-15-2016