

# MORGAN STATE UNIVERSITY

PROCUREMENT AND PROPERTY CONTROL DEPARTMENT

## INVENTORY CONTROL MANUAL

Effective February 20, 2014

# INTRODUCTION

A responsibility of the Morgan State University (MSU) Property Control Department is to prescribe standards for controlling inventories of materials, supplies and fixed assets and to establish the means for the University's MSU Accountable and Property Officers to determine the total values of inventories.

This manual has been prepared to make available to each department a ready reference for matters concerning the control of its inventories and to set forth the rules that govern the reporting of inventory values. Also included are the procedures for disposing of excess and surplus personal property and for reporting personal property that is stolen or missing.

Any comments, suggestions or questions concerning the procedures, exhibits/appendices in this manual may be directed to the Property Control Department at 443-885-3114.

# Table of Contents

SECTION I: GENERAL PROVISIONS.....	7
.1    AUTHORITY .....	7
.2    POLICIES AND PURPOSES.....	7
.3    GENERAL INFORMATION .....	8
.4    DEFINITIONS.....	9
SECTION II: INVENTORY CONTROLS .....	13
.1    GENERAL INVENTORY CONTROLS.....	13
.2    CONTROLS FOR LAND, BUILDINGS AND IMPROVEMENTS THERETO.....	13
A.    Record Keeping Requirements.....	13
B.    Physical Inventories .....	14
C.    Reconciliation of Property Records.....	14
D.    Reporting Requirements.....	14
E.    Disposal of Lands and Buildings .....	15
.3    CONTROLS FOR CAPITAL EQUIPMENT AND SENSITIVE ITEMS.....	15
A.    Record Keeping Requirements.....	15
B.    Tagging .....	16
C.    Physical Inventories .....	16
D.    Reconciliation of Inventory Records .....	17
E.    Reporting Requirements.....	18
F.    Equipment Identification .....	18
G.    Disposal of Serviceable and Unserviceable Capital Equipment .....	19
H.    Disposal of Property Acquired Under a Federal Grant or Cooperative Agreement .....	19
.4    CONTROLS FOR NON-CAPITAL EQUIPMENT .....	19
A.    Record Keeping Requirements.....	20
B.    Physical Inventories .....	20
C.    Reporting Requirements.....	20
D.    Equipment Identification .....	20
E.    Non-Capital Equipment Maintained As Inventory Stock .....	20
F.    Disposal of Unserviceable Items .....	21

G.	Disposal of Serviceable Items.....	21
H.	Disposal of Property Acquired Under a Federal Grant or Cooperative Agreement .....	21
.5	CONTROLS FOR MATERIALS AND SUPPLIES.....	21
A.	Record Keeping Requirements.....	21
B.	Physical Inventories and Cycle Counting.....	22
C.	Reconciliation of Inventory Records .....	23
D.	Disposal of Materials and Supplies Acquired under a Federal Grant .....	24
SECTION III: GENERAL INVENTORY MANAGEMENT REQUIREMENTS.....		25
.1	DELEGATIONS OF PROPERTY MANAGEMENT RESPONSIBILITIES .....	25
A.	Duties of University Property Officer .....	25
B.	Duties of Property Officers .....	26
C.	Duties of Accountable Officers .....	27
.2	EXCESS AND SURPLUS PROPERTY DISPOSAL.....	27
A.	The disposal of land, land improvements and buildings.....	27
B.	Capital Equipment.....	27
C.	Non-Capital Equipment, Materials and Supplies .....	28
.3	CAPITAL EQUIPMENT: LEASED, GRANTED, LOANED AND DONATED .....	28
A.	Leased Items .....	28
B.	Items acquired through Federal grants.....	28
C.	Donated Items.....	29
D.	Property on Loan to the University.....	29
E.	Interagency Loans .....	29
F.	Items without Original Cost Information .....	29
.4	INTERNAL CONTROLS.....	29
A.	Warehouse, Storerooms, and Office Areas .....	29
B.	Good Housekeeping Practices.....	30
C.	Segregating the Functions of Storekeeping, Record Keeping and Inventory Taking .....	30
.5	PROCEDURES FOR RECEIVING PROPERTY .....	31
A.	A Central Receiving Location.....	31
B.	Verification of the Bill of Lading or Delivery .....	31
C.	Verification of Merchandise with the Purchase Order .....	31

.6	RECORD RETENTION POLICY .....	33
SECTION IV: EXCESS PERSONAL PROPERTY DISPOSAL .....		34
.1	GENERAL REQUIREMENTS .....	34
.2	PROPERTY RELOCATION.....	34
.3	DISPOSAL METHODS .....	35
A.	Transfers .....	35
B.	Excess Property Announcement .....	36
C.	Trade-ins .....	36
D.	Scrap.....	37
E.	Dismantling for Recovery of Usable Parts (Cannibalize).....	37
F.	Donations.....	38
G.	Firearms and Other Law Enforcement Weapons.....	38
H.	Motor Vehicle Disposition (refer to Appendix I) .....	39
.3	DISPOSAL OF PROPERTY ACQUIRED UNDER A FEDERAL GRANT .....	39
A.	Equipment.....	39
B.	Materials and Supplies.....	39
.4	CREDIT FOR SURPLUS PROPERTY .....	40
A.	Trade-ins .....	40
B.	Sales .....	40
.5	POLICY .....	40
A.	The preferential sales or Gifts property to State officials or employees .....	40
B.	State Ethics Commission Ruling .....	41
C.	Use of Surplus Property to Satisfy Purchase Requisitions .....	41
D.	State Surplus Property .....	41
.6	DEGAUSSING .....	41
SECTION V: REPORTING MISSING AND STOLEN PERSONAL PROPERTY.....		43
.1	SCOPE.....	43
.2	SECURITY MEASURES .....	43
.3	PROCEDURE FOR REPORTING STOLEN PERSONAL PROPERTY.....	43
.4	PROCEDURE FOR REPORTING MISSING PERSONAL PROPERTY .....	45
.5	REPORT OF MISSING OR STOLEN PERSONAL PROPERTY .....	45
.6	MISSING OR STOLEN PRIVATE PROPERTY.....	46

.7	POLICY .....	46
	SECTION VI: EXHIBITS AND FORMS.....	47
	APPENDIX I: STATE MOTOR VEHICLE DISPOSITION .....	48
	APPENDIX II: STOREROOM TECHNIQUES.....	62
	APPENDIX III: PHYSICAL INVENTORY TECHNIQUES FOR MATERIALS AND SUPPLIES STOREROOMS.....	66
	APPENDIX IV: CYCLE COUNTING .....	69
	APPENDIX V: EQUIPMENT IDENTIFICATION.....	71
	APPENDIX VI: PROCEDURE FOR ADJUSTING DOLLAR VALUE THRESHOLD FOR CAPITALIZING EQUIPMENT ASSETS.....	73

## **SECTION I: GENERAL PROVISIONS**

### **.1 AUTHORITY**

- A. Pursuant to Chapter 273 of the Laws of 2004-Higher Education-Morgan State University-Coordination and Governance, the Maryland State Legislature authorized, effective July 1, 2004, subject to the development of Policies and Procedures and approval by the Board of Public Works, expanded procurement authority for Morgan State University. The expanded authority exempts the University from certain provisions of law governing the oversight of University procurement by external state agencies.
  
- B. In compliance with the legislative mandate, the Board of Regents approved on January 11, 2005, policies and procedures for the governance of procurements made by Morgan State University. The effective date of these policies and procedures is October 1, 2005.
  
- C. In concert with the State's Department of General Services (DGS), Standards Support Services Division and MSU's Procurement and Property Control Department the above authority implies full policies and procedures pertaining to University's Fixed Assets once managed by DGS, that full management has been relinquished to Morgan State University.

### **.2 POLICIES AND PURPOSES**

The principal policies and purposes of these procedures, among others, are to:

- A. Ensure the efficient use of capital invested in the MSU inventory of fixed assets, materials, and supplies.
  
- B. Provide consistent guidelines for the management and protection of property under the control of Morgan State University.

- C. Establish uniform procedures for reporting inventory values.
- D. Provide consistent guidelines for reporting missing and stolen MSU property.
- E. Dispose of excess and surplus personal property in a manner serving the best interests of the State.
- F. Establish policies and procedures for storage of assets and materials.
- G. Provide procedures for relocation and transfer of assets.

**.3 GENERAL INFORMATION**

- A. Requests for information or assistance regarding inventory systems, records, or the preparation of required reports as well as suggestions for improving this manual should be directed to:

MORGAN STATE UNIVERSITY  
Property Control Department  
1700 East Cold Spring Lane  
Baltimore, Maryland 21251  
Phone 443-885-3114

- B. To ensure compliance with these procedures, the Property Control Department will conduct departmental Property and Accountable Officer's inventory reviews during the year.
- C. The Property Control Department reviews inventory records of each department's Property and Accountable Officer and furnishes the results to the Director of Procurement and Property Control with information as to the adequacy and accuracy of records and reports. Pursuant to its responsibility for monitoring compliance with inventory control procedures, the Property Control Department University will take follow-up action on any exceptions reported by the Auditor pursuant to any audit.

- D. Property records and reports shall be stored in accordance with the Record Retention Schedule on file for each department.
- E. Some of the forms referred to in this manual are available on the Morgan State University Website under Property Control/Forms. The use of photocopies of these forms is acceptable. For further information, please contact the Property Control Department at 443-885-3114.
- F. Additional information regarding inventory procedures and controls are contained in the Appendices.

#### **.4 DEFINITIONS**

The following terms have the meaning indicated when used in these procedures:

**“Buildings”** are structures for housing humans, marine, plant or animal life, materials, supplies, equipment and mechanical apparatus.

**“Building Improvements”** are changes to a structure that upgrade the value of the building such as additions, enlargements, and architectural redesigns and improvements and the like. Roof replacements, exterior painting, architectural replacements or repairs and the like are considered as normal maintenance items to retain the value of the building.

**“Capital Equipment”** (Nonexpendable Item) means any equipment item or furnishing having a probable useful life in excess of one year and a procurement cost of **\*\* \$5000 \*\*** or more per unit, such as, furniture, machinery, instruments and other apparatus. The term includes all motor vehicles regardless of cost and livestock if the procurement cost is **\*\* \$5000 \*\*** or more. All capital equipment must be recorded and inventoried. The Property Control Department shall report all capital fixed assets to the Department of General Services (DGS).

**“Custodial Department”** is the University’s department or unit financially accountable for property under its control.

**“Excess Property”** means personal property that is no longer needed by the custodial departments. The term includes usable and unusable items that have been replaced or that have become obsolete. It also includes property that is in excess of current requirements of the custodial departments, or is damaged, inoperable or not economical for the custodians to repair and maintain.

**“Fixed Assets”** includes land, land improvements, buildings, building improvements, sensitive and capital equipment. The term does not include materials, supplies, and non-capital equipment.

**“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 assets. Examples: roads, bridges, tunnels, drainage systems, water & sewage systems, dams and lighting systems.

**“Junk”** means property that has no economic, scrap, or functional value.

**“Land”** means any land which is titled to or designated in any manner confirming ownership by the State of Maryland.

**“Land Improvement”** includes any improvement such as electrical, plumbing and heating systems, traffic signal devices, signs, storage tanks above or below ground levels, filtration systems, drainage components, sidewalks, bridges, fences and grounds beautification, including all landscaping.

**“Materials and Supplies”** (Commodities) means any item that is consumed, expended or changed in form by use, such as food, office supplies, raw materials, building and maintenance supplies, repair parts, items purchased for resale, storeroom supplies and other similar items needed to support normal operations.

**“Missing Property”** means property that has been reported missing as the result of an audit or inventory reconciliation and is frequently associated with items in storage.

**“Motor Vehicles”** includes all automobiles, vans, light and heavy duty trucks, graders, tractors, motorcycles and other such equipment contrived for conveying passengers or objects. Marine vessels and aircraft are considered motor vehicles.

**“Non-Capital Equipment”** (Expendable Item) means miscellaneous equipment, furniture, desk top articles and the like having an acquisition cost less than \*\* \$5000 \*\*, sensitive items with an acquisition cost less than \*\* \$2500 \*\*excluding weapons, or items with a useful life of less than one year.

**“Personal Property”** as opposed to real property refers to capital equipment items, non-capital equipment items, and materials and supplies in the custody of MSU.

**“Real Property”** refers to land, including the buildings or improvements on it and its natural assets, such as minerals, water, etc.

**“Scrap”** means property that is no longer useful and has no value other than the market value of its base material.

**“Scrap Pile”** means an accumulation of property, no longer recorded as inventory that will be sold for the value of its base material.

**“Sensitive Items”** are assets which are highly pilfer-able having the cost of more than \$2500 and less than \$5000 and have a useful life of one year or more. Assets such as all computer equipment but not limited to laptops, notebook computers, palm pilots, recording devices, portable tools, hand radios, cameras and the like that are prone to theft and concealable in a handbag or briefcase. Equipment items that are too large for concealment such as typewriters, projectors, chain saws and the like, shall be considered sensitive items if there is a history of loss or theft at the University. Firearms and other law enforcement type weapons that cost less than \$5000 are always considered sensitive and must be reported when loss is first.

**“Serviceable Item”** means an item is functional or operates satisfactorily "as is" without repairs or refurbishing. Obsolescence or age should not be factors in

determining whether an item is functional or operates satisfactorily. Serviceable items can be obsolete or very old.

**“Stolen Property”** means the sudden or conspicuous disappearance of property. Whether or not there is evidence of theft or forced entry, an item shall be presumed stolen by its sudden or conspicuous disappearance.

**“Surplus Property”** means personal property that is in excess of the requirements of any MSU Department. Excess property becomes surplus when it is no longer needed by any department.

## **SECTION II: INVENTORY CONTROLS**

### **.1 GENERAL INVENTORY CONTROLS**

- A. Each MSU Department is vested with the responsibility for the control, care, maintenance and security of all property within its department regardless of its value.
  
- B. The Banner System is an integrated automated system used by the University for managing inventories. The University prescribes basic inventory control standards that must be met by all Banner users.

### **.2 CONTROLS FOR LAND, BUILDINGS AND IMPROVEMENTS THERETO**

#### **A. Record Keeping Requirements**

For each University owned parcels of land and buildings within its responsibility, the following minimum data shall be maintained:

- 1. Land or Building identification.
  
- 2. Construction cost code and contractor (or seller).
  
- 3. Acquisition cost and date.
  
- 4. The physical location of the land or building.
  
- 5. The source of funds and the amount (If more than one fund source, so indicate).
  
- 6. Payments to contractors, subcontractors, vendors, etc. for building construction, land and improvements thereto shall be recorded as they occur for each involved fund. Total payments completed to date should be reported at the end of each fiscal year.

7. Justification and authorization reference for transfers or disposals. Banner shall have the capability to maintain and report required information.

**B. Physical Inventories**

Physical inventories do not apply to land, buildings and improvements thereto.

**C. Reconciliation of Property Records**

1. Control accounts shall be maintained for buildings, land, and improvements thereto. A control account is a summarized history of real property acquisitions, improvements and disposals and is maintained independent of the detail property records. A sample format for an inventory control account appears as Exhibit 1 in Section VI. The ending balance of an account should equal the beginning balance plus acquisitions (improvements) less disposals for the period being reported. Detail inventory records for land and buildings shall be reconciled at least annually with the covering control account. The total dollar value of the detail inventory records covered by a control account should equal the account balance. If there is a difference, the transactions recorded during the period shall be analyzed and the necessary adjustments made to the inventory records or to the control account as appropriate.
2. Adjustments to a control account balance shall be approved by Vice President for Finance and Management (VPFM) or his designee.
3. The final annual reconciliation shall be certified in writing by Vice President for Finance and Management (VPFM) or designee. The certification shall be kept on file at the University's Property Control Department for auditors visit purposes.

**D. Reporting Requirements**

At the end of each fiscal year, The Comptroller's Office shall provide inventory dollar amounts for land, buildings and improvements thereto, equipment and

construction in progress to the Property Control Department. These dollar amounts must be prepared and forwarded to the Property Control Department on or before August 31 of each year.

This information shall be submitted to the State's Department of General Services (DGS) on or before September 15th of each year by the Property Control Department.

#### **E. Disposal of Lands and Buildings**

The disposal of land and buildings is governed by regulations promulgated by the State Clearinghouse for Intergovernmental Assistance, Office of Planning.

### **.3 CONTROLS FOR CAPITAL EQUIPMENT AND SENSITIVE ITEMS**

The Board of Public Works has delegated to Morgan State University authority to allow the University to increase the threshold for capitalizing equipment assets to as high as \$5000.00.

#### **A. Record Keeping Requirements**

The University Property Control Manual (this manual) defines the procedures for maintaining a capital equipment inventory system. A copy of these procedures shall be retained on file for reference and audit purposes.

These requirements are applicable to each State owned item of capital equipment within the University's responsibility and on loan to the University (refer to Section III .03 for additional information).

The following minimum data shall be maintained:

1. Item identification consisting of at least the University's property identification number (bar code) and description (refer to .03 E. of this Section)

2. Name of supplier and purchase order or other acquisition document number.
3. Acquisition cost and date.
4. Physical location of item.
5. Serial number, if any.
6. Source of funds.
7. Most recent physical inventory date.
8. Justification and authorization reference for transfer or disposal.
9. Detail inventory records and control accounts shall be maintained by category (equipment, motor vehicles and etc.) of fixed assets.

## **B. Tagging**

All capital assets and sensitive items must be properly tagged with bar codes by the Property Control Department. Tagging ensures that assets are given properly identification numbers (Bar Codes) for proper record keeping and accounting.

1. Items purchased by the Procurement Department are identified for tagging through the OTAG process in the Banner System.
2. Sensitive items that are purchased by credit cards and other means by departments should be reported to the Property Control Department so that such items are properly tagged and documented for property control and accounting purposes.

## **C. Physical Inventories**

1. Capital Equipment

Capital Equipment and Sensitive Items - A complete physical inventory shall be taken at least once each year.

It is not necessary that the physical inventory be taken in its entirety on a given date. Periodic checks may be made throughout the period between inventory cycles. However, by the end of each cycle, all items shall have been physically checked.

2. Non-Capital Equipment

Accountable Officers are responsible for completing inventories. They also must maintain a signed copy on-hand for review by State auditors and/or Fixed Assets Department representatives.

3. Physical Inventory Documentation Requirements

A record of the capital equipment physical inventory (i.e. procedures, count sheets, etc.) shall be maintained until after the next legislative audit has been completed as prescribed by the Property Control Department's record retention schedule.

**D. Reconciliation of Inventory Records**

1. When the physical inventory is taken, inventory records shall be checked against the items inventoried to assure that records exist for each item, and that records for missing items are investigated, reported and removed in accordance with the procedures in Section V of this manual.
2. An inventory control account is a summarized history of acquisitions and disposals, and shall be maintained for each category of capital equipment independent of the detail records in either an automated or manual system. A sample format for an inventory control account appears as Exhibit 1 in Section VI. The ending balance of a control account should be equal to the net value of the beginning balance plus acquisitions less disposals for the period being reported. Inventory records for capital equipment shall be reconciled with the covering control account at least

quarterly. The total dollar value of inventory records covered by a control account should equal the account balance. If there is a difference, the transactions recorded during the reconciliation period shall be analyzed and the necessary adjustments made to the inventory records or to the control account as appropriate.

3. Adjustments to a control account balance or to the inventory records shall be approved by Finance and Management Department's Vice President or designee.
4. The final control account reconciliation shall be certified in writing by someone in authority not below the level of Director (or designee). The reconciliation data and the certification shall be kept on file in the Property Control Department for audit purposes and as prescribed by the University's record retention schedule.

#### **E. Reporting Requirements**

At the end of each fiscal year, the University shall use the Annual Report of Fixed Assets - Exhibit 2 (See Section VI), to report the value of fixed assets which includes land, buildings and improvements thereto, and construction in progress. This information will be submitted to the Comptroller's Office on the 15th of September.

#### **F. Equipment Identification**

1. Capital equipment items shall be marked with a property identification number and the words: "Property of the State of Maryland, Morgan State University." The marking shall be conspicuously located on the top or side of items so as to be readily seen, and shall be applied in a neat and

tasteful manner. (See Appendix V for recommended identification procedures.)

2. When new equipment is received by a department rather than through the Property Control Department, such items should be reported to Property Control Department for proper tagging and record keeping purposes.
3. Permanent type labels non-damaging to the item will be used on all capital equipment items.
4. If permanent type labels are not practical, the surface of the items shall be etched or indelibly marked. Etching can be provided by the Property Control Department.

#### **G. Disposal of Serviceable and Unserviceable Capital Equipment**

Refer to Section IV for the disposal and removal of serviceable and unserviceable capital equipment from inventory records.

#### **H. Disposal of Property Acquired Under a Federal Grant or Cooperative Agreement**

Unless specified in the grant or agreement, equipment and furnishings acquired under Federal Grants or Cooperative Agreements will be disposed of in accordance with the procedures in Section IV.

### **.4 CONTROLS FOR NON-CAPITAL EQUIPMENT**

Each University Department is vested with the responsibility for the control, care, maintenance and security of all property within its control regardless of its value.

#### **A. Record Keeping Requirements**

All Equipment with serial numbers shall be recorded since they are required when reporting property that is stolen or missing. Record keeping shall be kept by the Property and Accountable Officer.

#### **B. Physical Inventories**

Physical inventories are required for serial numbered items; however, departments shall maintain this inventory theft or missing items reporting.

#### **C. Reporting Requirements**

Inventory values need not be reported to the Property Control Department.

#### **D. Equipment Identification**

Non-Capital equipment items shall be marked with the words "Property of the State of Maryland". Identification numbers are not required. The University and department designation is optional. The marking shall be conspicuously located on the top or side of an item so that it can be readily seen. A permanent type label that cannot be removed without damage to the item may be used as well as engraving or indelible marking. (See Appendix V for recommended identification procedures.)

#### **E. Non-Capital Equipment Maintained As Inventory Stock**

A non-capital equipment item that is maintained in inventory for issue to users shall be recorded as a material and supply item (refer to .05, A. of this Section) as long as it remains in inventory. When issued from the material and supplies inventory to a user, an item becomes a non-capital equipment item in the user's department.

## **F. Disposal of Unserviceable Items**

If items that are deemed unserviceable and not economical to repair, a Property Control Action Request Form should be completed and forwarded to the Property Control Department for them to be picked-up. Disposal by scrapping or junking shall be approved by the Property Control Department.

## **G. Disposal of Serviceable Items**

Serviceable items that are no longer needed by a department shall be reported to the Property Control Department in accordance with the procedure in Section IV.

## **H. Disposal of Property Acquired Under a Federal Grant or Cooperative Agreement**

Unless specified in the grant or agreement, equipment and furnishings acquired under Federal Grants or Cooperative Agreements will be disposed of in accordance with the procedures in Section IV.

# **.5 CONTROLS FOR MATERIALS AND SUPPLIES**

## **A. Record Keeping Requirements**

1. Perpetual inventory records provide information necessary to manage and control inventories, and shall be maintained if:

The average grand total of the last three inventory values, reported by the Department is at least \$ 25,000; OR if the averages for the last three years of annual expenditures in object codes 05 and 09 for a MSU's Department thereof, exceeds \$250,000.

Exemptions to this policy must be approved in writing by the V.P for Finance and Management.

2. Reporting requirements the Annual Report of Fixed Assets will be submitted to Comptroller's Office on the 15th of September.
3. Perpetual inventory records shall contain, at the minimum, the following information:
  1. Quantity received and Purchase Order or Receiving Ticket Number.  
Quantity Withdrawn and Withdrawal Ticket Number.
  2. Balance of Inventory on hand.
  3. Adjustments to the on hand balance and Adjustment Voucher Number.
  4. Unit of Issue.
  5. Unit of Issue Cost.
  6. Supplier's Name, Purchase Order Number, Unit Cost and Order Quantity.

#### **4. Physical Inventories and Cycle Counting**

##### 1. Schedule

Whether or not perpetual inventory records are required, a physical inventory of all items shall be taken within the last ninety days of each fiscal year, preferably closer to the end of the fiscal year.

More frequent checks (cycle counts) of high dollar usage items shall be made throughout the year for control purposes. (Refer to Appendix IV, Cycle Counting and Appendix VI, Computerized Systems Requirements.)

When taking annual physical inventories, lists of all materials and supplies shall be prepared. Item number, description, unit of issue, last unit of issue cost and the balance on hand expressed in both units and dollars, shall be shown for each type. No discounts shall be used to arrive at unit cost. On hand amounts shall

represent physical inventory counts taken at fiscal yearend (June 30), or they shall represent perpetual record balances as of June 30 which have previously been verified by physical counts taken within the last ninety days of the fiscal year. The grand total in dollars of all commodities listed shall be used to report the annual value of University property for materials and supplies on Form DGS-950-

1. In addition to the DGS-950-1, itemized listing information including property description and dollar value shall be kept on file for the period between Legislative Audits.

2. Reporting Requirements

At the end of each fiscal year, PCD shall submit an annual report of State property, materials and supplies on a DGS950-1 Form (See Section VI) to report the value of materials and supplies. The form must be prepared and forwarded to DGS along with an itemized listing including property description and dollar value. This information shall be submitted to DGS by PCD on or before September 15th of each year. The form is available on the DGS's website, at [www.dgs@state.md.us](mailto:www.dgs@state.md.us).

### **C. Reconciliation of Inventory Records**

1. At the time of physical inventory or cycle count, the perpetual record balance shall be compared to the physical count for each item to confirm record accuracy.
2. If the record balance differs from the physical count, the variance shall be investigated and the record balance adjusted, up or down, to make it equal to the physical count. Each entry to correct a perpetual record balance shall be clearly recorded as an adjustment and not as a withdrawal or receipt. A voucher shall be completed for each adjustment, listing the date, item description, commodity code, unit of issue, unit of issue cost, a plus or

minus variance expressed in both units and dollars, the reason for the adjustment and the signature of the approving authority. All adjustment vouchers are to be approved by the V.P. for Finance and Management or his designee.

All adjustment vouchers shall be retained for audit purposes and in accordance with the department's record retention schedule.

**D. Disposal of Materials and Supplies Acquired under a Federal Grant**

1. If there is a residual inventory of unused materials and supplies of \$5,000 or less in total aggregate of fair market value upon termination or completion of the award, disposal will be in accordance with the University procedures.
2. If there is a residual inventory of unused materials and supplies exceeding \$5,000 in total aggregate of fair market value upon termination or completion of the award, disposal will be in accordance with Federal regulations. The grantee or sub grantee shall contact the awarding agency for instructions.

## **SECTION III: GENERAL INVENTORY MANAGEMENT REQUIREMENTS**

### **.1 DELEGATIONS OF PROPERTY MANAGEMENT RESPONSIBILITIES**

To ensure effective management of the personal property, control responsibilities shall be delegated to "Property Officers". Each department's director/Dean/Chair Person/Vice President shall be required to designate an individual to become a Property Officer. The designated individual will serve as a liaison to the University's Fixed Assets Section of the Property Control Department. The respective Departmental Property Officer must be a supervisory level employee and report to an individual no lower in the department than director, or a comparable position who will have the ultimate responsibility for the Department's inventory. Custodial responsibilities can be delegated to "Accountable Officers". The manner in which these responsibilities are delegated shall rest with the Property Officer.

Furthermore, one person, with other primary responsibilities may serve as both Property and Accountable Officer. The Property Control Office shall provide annual mandatory training and certification for Property and Accountable Officers.

#### **A. Duties of University Property Officer**

The Vice President for Finance and Management or designee shall be the University's Property Officer.

The University Property Officer shall:

1. Initiate and implement university-wide internal inventory control procedures and make recommendations for improvements. Procedures shall be written and disseminated to all concerned. A copy of the procedures shall be kept on file for reference and audit purposes.
2. Coordinate and initiate the procedures for yearly physical inventories of personal property.
3. Be responsible for initiating procedures for the maintenance of inventory records for fixed assets.

4. Verify the reconciliation of individual inventory records with physical counts by selecting a reasonable number of records and comparing them with the physical inventory.
5. Submit annual report of Fixed Assets, Sensitive Assets, Materials and Supplies to the State of Maryland, Department of General Services.
6. Approve all disposals, donations, and trade-ins.

**B. Duties of Property Officers**

1. Maintain departmental inventory records for all assets in his/her department.
2. Receive and review Property Control Action Request (PCAR) Form from **Accountable Officers:**
  - a. To verify the accuracy of the PCAR Form and ensure that proper approvals are obtained.
  - b. Forward approved PCAR Form(s) to the Property Control Department when property is no longer required by the department.
  - c. Forward to the Property Control Department approved "Facilities Space Office" and PCAR Forms together when complete contents of rooms or offices are to be relocated.
3. Report missing and stolen property in accordance with Section V.
4. Determine if any property is no longer needed by the department.
5. Reconcile physical inventories to inventory records.
6. Ensure accurate inventories by test counting a reasonable number of items.
7. Certify in writing, the completeness and accuracy of the departments physical inventories.
8. Ensure Department staff performs required inventories, report on variances when needed, sign and forward within the time required their department-wide Inventory Report to the Property Control Department. Annual Inventory Reports shall be reconciled by Property Control Department.

### **C. Duties of Accountable Officers**

1. Assume responsibility for all personal property under their control assigned to them by their Property Officers.
2. Know the whereabouts at all times of all personal property under their control.
3. Conduct physical inventories of personal property under their control as required, and certify in writing the accuracy of the physical inventory.
4. Ensure that equipment is properly marked and identified.
5. Instruct employees they are personally responsible for the use and care of personal property in their custody or under their control and for reporting losses promptly to University's Police and the Property Control Department.
6. Require personnel to complete an "Off Campus Property Pass" for property to be taken off campus to conduct official University business.
7. Ensure that properly prepared and authorized "Off Campus Property Pass" is turned to the Procurement and Property Department.
8. Report missing and stolen property to the University's Police and Property Control Department immediately upon discovery of loss or damage.
9. Report excess property to the Property Officer when the property is no longer needed.

## **.2 EXCESS AND SURPLUS PROPERTY DISPOSAL**

### **A. The disposal of land, land improvements and buildings**

The disposal of land, land improvements and buildings is governed by regulations promulgated by the State Clearinghouse for Intergovernmental Assistance, Office of Planning.

### **B. Capital Equipment**

Disposal by inter-agency transfer, selling, scrapping, junking or donation shall be conducted in accordance with the procedures in Section IV.

**C. Non-Capital Equipment, Materials and Supplies**

1. The disposal of serviceable items to agencies external to the University is in accordance with the procedures in Section IV.
2. The disposal of unserviceable items that are worn or damaged beyond economical repair is the responsibility of The Property Control Department.

**.3 CAPITAL EQUIPMENT: LEASED, GRANTED, LOANED AND DONATED**

**A. Leased Items**

An item that is being leased shall be recorded and controlled in the same manner as other purchased items if:

1. Terms of the lease transfer ownership of property to MSU by the end of the lease period; or
2. The lease contains an option allowing a department to purchase property for a nominal sum or price substantially less than fair market value at the time the option becomes exercisable.

Equipment under a lease/purchase agreement shall be recorded at full cost when it is received. The recorded inventory value shall be the cost of the equipment only and shall not include service, maintenance, or interest charges.

**B. Items acquired through Federal grants**

Items acquired through Federal grants shall be recorded and considered property of the State. Under current Federal regulations:

1. Title to equipment acquired under a grant or sub-grant will vest upon acquisition in the grantee or sub-grantee respectively.
2. The University will use, manage and dispose of equipment acquired under a grant in accordance with State laws and procedures. (Ref: Federal

Register; Friday, March 11, 1988; Part III: Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; Final Rule; page 8095)

### **C. Donated Items**

Donated equipment becomes property of the University and shall be recorded immediately upon acquisition. The value of donated items shall be established at the time of acceptance. All donations shall be approved by the V.P. President for Finance and Management or designee prior to acceptance.

### **D. Property on Loan to the University**

Property on loan to the University shall be recorded and managed as though it were University property for the duration of the loan. Property labeling is optional; however, ownership of the item must be readily ascertainable through appropriate documentation.

### **E. Interagency Loans**

Property acquired from another agency to satisfy a short term or emergency need should not be recorded as University property.

### **F. Items without Original Cost Information**

Items now on hand without original cost information and such property acquired in the future shall be given an appraised value (i.e. estimated cost) and recorded for inventory purposes.

## **.4 INTERNAL CONTROLS**

### **A. Warehouse, Storerooms, and Office Areas**

To protect against theft and unauthorized usage of property:

1. Access to warehouses and storerooms must be controlled.

2. Unauthorized persons must be escorted to storage areas.
3. Warehouses, storerooms and office areas should be locked during non-working hours and during working hours when unattended.
4. Keys to storage areas should be restricted to personnel responsible for these areas.

**B. Good Housekeeping Practices**

1. Good housekeeping practices should be followed at all times.
2. Materials and supplies should be stored in an orderly fashion to facilitate accurate commodity identification and counting.
3. Storage areas must be kept neat, safe and clean to protect inventories against losses from damage and deterioration.

**C. Segregating the Functions of Storekeeping, Record Keeping and Inventory Taking**

The duties of inventory record keeping, inventory custody and physical inventory taking shall be segregated whenever practical or economically feasible. This internal control measure provides reasonable, but not absolute, assurance that assets are protected against loss from unauthorized use or disposition. The concept of reasonable assurance recognizes that the cost of an internal control procedure should not exceed the benefit derived, and also recognizes that evaluation of these factors necessarily requires estimates and judgments by management.

Whenever it is not practical or economically feasible to segregate these duties, inventories and inventory procedures should be verified periodically by personnel not directly assigned to the storekeeping or record keeping functions to assure that physical stock balances agree with record balances and transaction quantities in the records agree with quantities on source documents (i.e. withdrawal tickets, receiving documents and adjustment vouchers).

Periodically, a reasonable number of items and transactions should be randomly selected and verified.

## **.5 PROCEDURES FOR RECEIVING PROPERTY**

Property Control Department shall implement a procedure to ensure that property obtained by purchase, transfer, or donation is received in the following manner:

### **A. A Central Receiving Location**

A central location for receiving materials, supplies and equipment shall be established, and personnel shall be assigned to receive incoming merchandise as a primary or secondary responsibility.

### **B. Verification of the Bill of Lading or Delivery**

Freight carriers are responsible for the number of shipping containers (or weight) specified in the bill of lading or delivery ticket. Truckers will not wait for the contents of containers to be inspected for concealed damage. Therefore, personnel assigned to receive incoming merchandise shall:

1. Verify that the total number of shipping containers of the shipment for the amount on the bill of lading or vendor's delivery ticket.
2. Visually inspect the outside of shipping containers or unpacked items for apparent shipping damage.
3. Any exception for counts or apparent damage shall be brought to the attention of the person making the delivery, and shall be noted on the bill of lading or delivery ticket.

### **C. Verification of Merchandise with the Purchase Order**

1. Inspection of merchandise may be performed in the central receiving location or it may take place at a location in the requestor's area by personnel in the requestors' program assigned to receive property.

2. Copies of purchase orders, or written instructions to accept transferred or donated property shall be maintained by personnel assigned to receive merchandise. If a copy of an open purchase order or other written receiving instruction is not on file, receiving personnel should notify the department's buyer or program requestor of the delivery, and hold the merchandise until a copy is made available.
3. Within one working day after the merchandise has been received:
  - a. At least one shipping container of each different item shall be opened and visually checked for quantity, quality, and condition. (Several shall be opened for truck load shipments of the same item.)
  - b. The entire shipment shall be counted in the same units of measure specified in the purchase order.
  - c. For accuracy purposes, computations for arriving at counts or weights for each item must be clearly written on the receiving document.
4. The buyer shall be notified as soon as possible if:
  - a. The quantity counted for each item is not the same as the quantity on the packing slip or purchase order or
  - b. The number of units inside opened containers does not agree with the number appearing on the outside of the container and on the packing list; or
  - c. The appearance, packing, labeling or other means of identifying items does not agree with the identification or specifications in the purchase order; or
  - d. The condition of any part of the shipment is unsatisfactory.
5. Receiving personnel shall verify and create a receiving report for each shipment, listing the purchase order number, vendor, quantity counted, name, unit of measure and commodity number, if applicable, for each item received. All documents covering received merchandise shall be forwarded to

that appropriate department personnel responsible for keeping inventory records.

## **.6 RECORD RETENTION POLICY**

Property Control Department shall implement procedures to ensure that all records stored in the Washington Service Center storage area is in accordance with the University's policy for storing such records. To ensure this, the following procedures are implemented:

1. Any department that is sending its records for storage must attach a record retention form to the records.
2. Records sent for storage should put in authorized record retention boxes made available by the Property Control Department.
3. Property Control Department will enforce that any stored document is in compliance with the University's Record Retention Program.
4. Items which need to be stored for more than the allowed storage time will be shipped to the storage facilities in Jessup or Annapolis.

## **SECTION IV: EXCESS PERSONAL PROPERTY DISPOSAL**

### **.1 GENERAL REQUIREMENTS**

- A. The University's Property Officer or designee shall determine and approve the method of personal property disposal.
- B. Excess property will be transferred to another department, whenever feasible, before other methods of disposal are considered.
- C. All sales of surplus property will be coordinated by Property Control Department.
- D. Only after departments identify assets as excess property and transfer such properties to the Property Control Department, and no other department has a need for such assets, the assets shall be declared as excess property by the Property Control Department. Excess property shall be placed in storage, cannibalized, scrapped, junked, sold, transferred outside the department or donated with prior approval.

### **.2 PROPERTY RELOCATION**

The Property Control Action Request (PCAR) Form is the required method of communicating to us that you are planning an office move; would like to transfer property to another department; need to move furniture around in your office; need temporary relocation of furniture and equipment due to renovations; need to report stolen property; or to dispose of items you no longer need or want. Once the service is completed, we forward the information to our Property Records office. If you have questions on how to complete the form, or need to communicate additional information concerning a move, please contact The Property Control Department at Ext. 3114.

Please note that if you have an office move, a request for Relocation Form must be completed and approved by the Budget and Planning Office. A copy of the Request for Relocation must accompany the PCAR in order for PCD to schedule the move.

#### A. Property Transfers, Donations, and Disposals

If you would like to transfer property to another department, please follow the instructions on the PCAR. Unwanted, but useable property, that is not recycled for campus use, may be donated to non-profit organizations by PCD. The PCAR directs that some indication be made in the comments section regarding the condition of materials marked for recycling/disposal. Inventoried (MSU's numbered, bar-coded tag) property must be noted on the request, so that Property Records is alerted to update their records.

#### B. Surplus Property

While we do not have the facilities at the present time to store used property, we do maintain a wish list for those looking for a specific item. Please keep in mind that we cannot know when the item will become available, but if you are planning a purchase of office furniture, you may want to contact us-we just may have what you're looking for. We have recycled many useable items this way.

### **.3 DISPOSAL METHODS**

#### **A. Transfers**

1. Intra-University transfers (Property transferred within the department):
  - a. Whenever an item is declared excess to a department or subunit, the Property Officer shall ensure that a PCAR Form is completed and turned-in to Property Control Department for action to be taken, such as building and room changes in the Banner system.
  - b. If the property is needed elsewhere in the department and, it can safely be relocated without assist from Property Control Department's assistance, with exception of leased copiers, the department may do so.

- c. Only upon receipt of a signed approved Property Control Action Request (PCAR) Form shall item (s) be removed from the Department's Fixed Assets Records.
2. Inter-agency transfers (Property transferred between MSU and other State agencies:
  - a. The Procurement and Property Control Department shall determine if it is in the best interest of the University whether excess and/or surplus property shall be transferred to other State agencies.
  - b. A PCAR Form from the custodial department shall be submitted to Property Control Department prior to the transferring of any item.
  - c. Motor Vehicle Transfers shall not be authorized without State Vehicle Monitors being notified in writing and any sale must take place by auction by an independent sales agency.
  - d. Only upon signed approved Property Control Action Request (PCAR) Form shall item (s) be removed from the Department's Records.

**B. Excess Property Announcement:**

The Property Control Department shall use its Web page to post announcements of excess property.

**C. Trade-ins**

The Director of Procurement and Property Control shall determine if it is in the best interest of the University to trade-in any item.

A Trade-in request shall be submitted to the University's Property Officer or his/her designee by the requesting department.

Upon receipt of a trade-in request, the University's Property Officer or designee within five (5) days shall acknowledge receipt of the form and approval or disapproval action. If disapproved no further action is to be taken.

Upon approval, the University's Property Officer or designee shall forward the trade-in information to the Property Control Department. When approval for trade-in is granted, the Accountable Officer of the department shall forward a completed trade-in receipt certifying that the items have been traded-in.

Upon receiving the approval and the trade-in receipt, the Fixed Assets Section of the Property Control Department will remove the traded-in assets from the records and from the Property/Accountable Officers records. All documentation received by the Accountable Officer shall be maintained until next inventory report is received.

#### **D. Scrap**

1. All scrap items of equipment shall be reported on the PCAR Form to the Property Control Department.
2. All scrap metal is sold and the proceeds turned into the University's Bursar Office.
3. The Property Control Department shall remove the item from University's detail records and from the applicable department's custodian inventory.

#### **E. Dismantling for Recovery of Usable Parts (Cannibalize)**

Property Control Operations Manager has been designated to provide authorization for request for cannibalization.

To prevent University high priority (an emergency) work stoppage cannibalization is permitted without prior approval only during non-working hours. However, on the next business work day the department must provide a PCAR Form with item(s) name, bar code and statement-of-reason for action taken. The PCAR Form must be signed by the department director or person in higher authority and forwarded to Property Control Department.

The Property/ Accountable Officer shall provide a list of the cannibalized items to the Property Control Relocation Section's staff. The item and/or its

components not salvaged, but having scrap value shall be sold by Property Control Department as scrap.

#### **F. Donations**

The University's Property Officer or designee shall determine if it is in the best interest of Morgan State University to donate any item. A letter from the donee shall be submitted to the Property Control Department prior to donating any item to a local jurisdiction or non-profit organization.

The supporting documents are forwarded to the Fixed Assets Section so that donated items are removed from the Banner System and from the inventory of the custodial department.

#### **G. Firearms and Other Law Enforcement Weapons**

All excess and surplus firearms and other law enforcement weapons shall be reported to the Procurement and Property Control Department in accordance with these procedures:

1. The University's Police Department shall determine whether such property may be transferred, traded-in or turned over to the Maryland State Police for destruction.
2. The Police Department shall complete a PCAR and forward to the Property Control Department.
3. Upon receipt of the Property Control Action Request (PCAR) Form, the Property Control Department the PCAR to the Director of PPC with instructions to turn over to the Maryland State Police, Department Property Unit Supervisor (telephone 410-799-1218) for disposition of any weapons not approved for trade or transfer. A receipt from the Maryland State Police for any weapons or firearms turned over for disposition is required.
4. Approval to remove these items from the department's property records will be granted after the department has forwarded a copy of

the Excess Property Disposal Order (DGS-950-11) certifying that the disposal action has been completed along with a copy of the receipt from the Maryland State Police.

**H. Motor Vehicle Disposition (refer to Appendix I)**

**.3 DISPOSAL OF PROPERTY ACQUIRED UNDER A FEDERAL GRANT**

**A. Equipment**

Under current Federal regulations:

Title to equipment acquired under a grant or sub grant will vest, upon acquisition, in the grantee or sub grantee respectively.

State MSU's departments will use, manage and dispose of equipment acquired under a grant in accordance with State laws and procedures.

**B. Materials and Supplies**

Under current Federal regulations:

Title to supplies acquired under a grant or sub-grant will vest, upon acquisition, in the grantee or sub-grantee respectively. If there is a residual inventory of unused supplies exceeding \$5,000 in total aggregate of fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the grantee or sub-grantee shall compensate the awarding department for its share.

(Ref: Federal Register; Friday, March 11, 1988; Part III: Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; Final Rule; pp 8095-8096)

NOTE: Individual grants may vary slightly. The grantee should confirm disposal conditions with the grantor.

#### **.4 CREDIT FOR SURPLUS PROPERTY**

##### **A. Trade-ins**

If a department trades in an excess item for a replacement item, credit is given by the supplier in the form of a reduced invoice cost of the replacement item. The cost of the replacement item, less allowance for the trade-in, must be shown on the vendor invoice.

##### **B. Sales**

1. Monies received from property purchased with bond proceeds shall be forwarded to the Bursar's Office.
2. Monies received from property purchased with Special Fund proceeds shall be forwarded to the Bursar's Office.
3. Monies received from property purchased with Federal funding shall be disbursed in accordance with governing Federal regulations.
4. Property not purchased with bond proceeds, dedicated revenue or Federal funds shall be distributed as follows:
  - a. Monies received for the sale or auction of personal property not being replaced shall be deposited in the University's general fund and may not be credited to an department's account unless the department has obtained the approval of the Vice President for Finance and Management.
  - b. If it is in the best interest of the University to sell rather than trade in an item being replaced, proceeds from the sale shall be directed by with approval of the Vice President for Finance and Management.

#### **.5 POLICY**

##### **A. The preferential sales or Gifts property to State officials or employees**

The preferential sale or gratuitous disposition of property to a State official or employee is prohibited.

## **B. State Ethics Commission Ruling**

State Ethics Commission Opinion Number 24 prohibits State officials and employees from purchasing surplus personal property if their official duties are directly connected with the disposal process. Also, other Ethics Law provisions generally applicable to surplus personal property sales could, in particular situations, limit the private activities of a State official or employee. For additional information, contact DGS Inventory Standards and Support Services Division.

## **C. Use of Surplus Property to Satisfy Purchase Requisitions**

The Director of Procurement and Property Control may suggest use of a surplus item to satisfy the requirements of a purchase requisition, provided that the item is functional, serviceable, and satisfies the needs of the requisitioning department.

## **D. State Surplus Property**

MSU's departments are to consider utilizing the excess property stored at the Washington Service Center before purchasing new equipment.

## **.6 DEGAUSSING**

When desktop and/or laptop computers are no longer usable or obsolete and are turned to the Property Control Department's Central Receiving Section for disposal, such items must be cleaned according to the following procedures:

- A. Data should be erased according to the National Institute of Standards and Technology (NIST) Recommended Computer Security Procedures documented in paragraph 11.03, the Financial Information Systems Controls Audit Manual (FISCAM) section AC 3.4, NIST Special Publications 800-18 (4.4.5) and 800-26 (3.2.12, 8.2.8, 8.2.9). The NIST System Development Life Cycle Management policy require that media containing sensitive NIST data be erased using a repeated overwrite operation, purged, degaussed, or

destroyed prior to recycling, reusing, donating, or disposal of the storage media.

- B. The Central Receiving Section is responsible for degaussing computers in accordance with National Institute of Standards and Technology requirements.
- C. When hard drives cannot be degaussed due to an inoperable operating system, the hard drives will be removed from computers and placed in an operable computer for degaussing.
- D. Computers shall not be released from the University's control until they are sanitized and all storage information has been cleared. This requirement applies to all permanent disposal of equipment and all donated equipment regardless of the identity of the recipient. This includes equipment transferred to schools, churches, or other non-profit organizations.

## **SECTION V: REPORTING MISSING AND STOLEN PERSONAL PROPERTY**

### **.1 SCOPE**

- A. Only personal property that is stolen or missing is subject to these procedures.
- B. For the purposes of these procedures, personal property on loan or otherwise in temporary custody of Morgan State University, is considered State owned.
- C. These procedures do not apply to cash or other financial assets that are stolen or missing.

### **.2 SECURITY MEASURES**

- A. Departments shall take every precaution that is practical or necessary to protect personal property from being lost or stolen.
- B. Losses shall be investigated to determine the cause and to take corrective action to protect property against future loss occurrences.
- C. Capital and non-capital equipment items shall be permanently marked to identify them as Maryland State Property. (See Appendix V for recommended identification procedures.)
- D. Equipment serial numbers shall be recorded since they are required when reporting items that are stolen or missing.
- E. Easily concealed sensitive items shall be kept in locked cabinets, desks or storage rooms when not in use.
- F. Sign-out and return procedures shall be implemented for items not assigned to specific individuals.
- G. Personnel shall be made responsible for the safekeeping of assigned University property.

### **.3 PROCEDURE FOR REPORTING STOLEN PERSONAL PROPERTY**

- A. Stolen property, regardless of value, shall be reported immediately upon discovery to the campus police department.

- B. Campus police automatically report stolen or missing items to the National Crime Information Center (NCIC) so that property, if recovered, may be returned to the department.
- C. Obtain a copy of the police report from campus police.
- D. Complete the Property Control Action Request Form for missing or stolen property and forward it to Property Control Department so that such items properly removed from the department's property listing;

Report the loss if:

- 1. Capital equipment is involved, or
  - 2. Sensitive items, or
  - 3. The loss consists of any combination of non-capital equipment items and supplies exceeding \*\* \$2,500 \*\* in aggregate cost value.
- E. Upon receipt of the police report the Property Control Department will the items from the departments' inventory records.
- F. The custodial department shall receive a signed copy of the PCAR Form to certify that items have been removed from the department's inventory records.
- G. In addition to these procedures, the procedure for reporting theft of a motor vehicle, as prescribed in the State Treasurer's Insurance Manual shall be followed.
- H. Departments shall absorb the full amount of property loss due to theft, except in specific cases where property may be insured under a special policy.
- I. In cases where a State employee is alleged to be the cause of property loss exceeding \$1000, the loss is covered by a Blanket Bond For Faithful Performance By State Employees if evidence reasonably establishes that a State employee caused or was implicated in the loss, regardless of the number of persons involved or whether any of the involved persons can be identified. If investigative action indicates that a loss exceeding \$1,000 was caused by the action or negligence of a State employee, in addition to

paragraphs A through G, department Insurance Coordinators shall follow the procedures prescribed by the State Treasurer's Insurance Division for a claim to be initiated. Claims up to \$1000 will be absorbed by the department sustaining the loss.

- J. Funds recovered from an insurance policy or bond shall be deposited in accordance with budgetary regulations.

#### **.4 PROCEDURE FOR REPORTING MISSING PERSONAL PROPERTY**

Follow the same procedure in Regulation .03 to this Section for reporting stolen University property.

- A. There is no evidence of theft or forced entry; and
- B. Property disappearance is not sudden or conspicuous; and
- C. The loss is disclosed as a result of an audit or inventory reconciliation.

#### **.5 REPORT OF MISSING OR STOLEN PERSONAL PROPERTY**

The University is required to investigate every report of missing or stolen personal property. In order to facilitate the write-off process, the following shall apply:

- A. Missing or stolen personal property must remain on inventory records until approval to remove the property from the records is obtained from the Property Control Department.
- B. The PCAR Form shall be forwarded to the Property Control Department within 20 working days of discovery of loss.
  - 1. If a department is unable to obtain a copy of the police report within 20 working days of the occurrence of theft, the form shall be forwarded with a notation to that effect. The Property Control Department will follow-up with the Police Department to obtain a copy of the police report.
  - 2. If a department is unable to complete a PCAR Form due to incomplete information, the form shall be forwarded with a notation to that effect.

the Property Control Department will follow-up with the department to obtain the missing information.

- C. No more than one occurrence of loss shall be reported on a single PCAR form.
- D. The filled in portion of each form shall be in original format. Photocopies or pre-filled in forms are not acceptable and will be returned to the reporting department.
- E. All required information shall be reported in detail using the reverse side of the form, additional sheets and supporting documentation as necessary.

#### **.6 MISSING OR STOLEN PRIVATE PROPERTY**

- A. COMAR 25.02.03.01 generally provides that the State is not responsible for the theft or other disappearance of the personal belongings of a State employee.
- B. If the personal belongings of a State employee or other private individual are lost or stolen on State property, a department shall report the loss to campus police or its internal police jurisdiction. The loss of private property should not be reported to the Property Control Department.

#### **.7 POLICY**

- A. Departments shall maintain records of all stolen or missing property, including private property, regardless of value. Records should be reviewed periodically.
- B. Each Department shall be required to produce Department-Wide Missing and Stolen Property Reports quarterly and annually to the Property Control Department.
- C. Departments with numerous occurrences of stolen State property or those within the Property Control Department's estimation, large amounts of missing property, both in dollars and numbers of items, will be subject to unannounced audit.

## SECTION VI: EXHIBITS AND FORMS

This section needs to be renumbered when finished

This section contains samples of the forms used in inventory management.

A. Morgan State University shall use the following forms in accordance with the provisions set forth in Sections II through V of this Manual:

- Exhibit 2 \* Property Control Action Request Form (This form is used for office and furniture moves, transferring property to another department, requesting temporary relocation of furniture and equipment due to renovations, reporting stolen property, and to dispose of items.)
- Exhibit 3 \* Off Campus Property Pass (This form must be completed prior to removing University property from its campus location.)
- Exhibit 4 \*Inventory Verification Form (This form verifies the inventory listing sent by Property Control.)
- Exhibit 5 \*Designated Property and Accountable Officer Form (This form designates the Property and Accountable officers that are approved by the Dean, Chairperson, or Vice President of their respective departments.)
- Exhibit 6 \*Annual Report of Fixed Assets (Distributed to each agency at the end of the fiscal year by the Department of General Services)
- DGS-950-1 \*Annual Report of - State Property - Materials and Supplies (Distributed to each agency at the end of the fiscal year by Department of General Services)

## **APPENDIX I: STATE MOTOR VEHICLE DISPOSITION**

### **.01 STATE MOTOR VEHICLE DISPOSITIONS**

These procedures apply primarily to automobiles, vans, light and heavy duty trucks, motorcycles and other such equipment contrived for conveying passengers or objects. Disposition of all other motor vehicles will be addressed on a case by case basis.

Disposition of State vehicles shall be authorized by the Department of Budget & Management (DBM) State Fleet Administrator prior to disposition of the vehicle. In accordance with COMAR .04.01.03 the method of disposition shall be determined by the Morgan State University (DGS).

Disposal of vehicles is to be completed by the custodial agency in accordance with the following Department of General Services, Inventory Standards and Supports Services Division (ISSSD) vehicle disposition procedures:

- A.** OPERABLE VEHICLES APPROVED FOR TRADEIN/REPLACEMENT by DBM shall be taken by the custodial agency to an auction or sales site designated by ISSSD.
1. An Excess Property Declaration (DGS-950-9) will not be submitted when operable vehicles are disposed of by this method.

In lieu of an Excess Property Declaration, the custodial agency shall submit a Request/Requisition to Replace Motor Vehicle Form either electronically through the Financial Management Information System, (See Exhibit 6) or a manual form (DBM/FAU-1FY2003). (See Exhibit 5)

- a. The electronic version will be approved electronically by DBM and then forwarded to ISSSD.
  - b. The manual form must be submitted to DBM for approval and then forwarded to ISSSD.
2. Once the Request to Replace Motor Vehicle Form is received, ISSSD will issue a VEHICLE CHANGEOVER AUTHORIZATION/ DISPOSAL ORDER (See Exhibit 4) for each vehicle listed on the REQUEST/REQUISITION TO REPLACE MOTOR VEHICLES form.

The Vehicle Changeover Authorization/Disposal Order is authorization for the agency to dispose of the vehicle(s) as well as the auction/sales site authorization to accept the vehicle(s) for sale.

The Vehicle Changeover Authorization/Disposal Order is a four part (no carbon required) form. The original, the yellow and pink copy, will accompany the vehicle and other required items such as title, keys and odometer statement to the auction/sales site. The third goldenrod copy will be retained by ISSSD.

When the vehicle is delivered to the auction/sales site, the receipt portion of the form will be signed by a representative of the auction/sales site. After the receipt portion is signed, the white and pink copy will be retained by the receiver of the vehicle and the yellow copy will be retained by the agency. The pink copy will be returned to ISSSD by the auction/sales site notifying ISSSD of the delivery.

THE VEHICLE CHANGEOVER AUTHORIZATION/DISPOSAL ORDER MAY BE COPIED FOR INTERNAL USE, BUT MAY NOT BE COPIED OR ALTERED TO DISPOSE OF ANY OTHER VEHICLE.

- a. The Vehicle Changeover Authorization/Disposal Order will be mailed by ISSSD to the agency fleet manager prior to new car changeover.
- b. The Vehicle Changeover Authorization/Disposal Order issued by ISSSD should be kept with the vehicle title and **MUST ACCOMPANY** the vehicle to the auction/sales site at time of disposal.

Vehicles driven to the auction/sales site without the original, yellow) and pink of the Vehicle Changeover Authorization/ Disposal Order **WILL NOT BE ACCEPTED** at the site. **PHOTOCOPIES OR FAX COPIES ARE NOT ACCEPTABLE.**

- c. Vehicles will not be left at the auction/sales site without the proper paperwork.  
In the event vehicles are left without the proper paperwork being completed they may be towed back to the agency at the agency's expense.

### 3. VEHICLE CHANGES / SUBSTITUTIONS

In the event the custodial agency decides to substitute another vehicle in place of one initially approved by DBM the custodial agency fleet manager must:

- a. Notify DBM in writing via letter/memo of the:
  - i. Vehicle description (year, make, model, odometer, etc.) of the vehicle they want to substitute and justification for substituting the vehicle.
  - ii. Include vehicle description (year, make, model, odometer, DGS Control Number, if known, etc.) of the vehicle which was originally approved by DBM to be disposed of.
  - iii. Receive written approval from DBM for the substitute.
- b. Forward letter/memo, DBM approval and the original Vehicle Changeover Authorization/Disposal Order to ISSSD.
- c. Upon receipt of this information, ISSSD will forward a

NEW Vehicle Changeover Authorization/Disposal Order to the agency fleet manager for the substitution vehicle to be disposed of.

4. At the time ISSSD issues the Vehicle Changeover Authorization/Disposal Order it is assumed that the vehicle is operable.

In the event the vehicle becomes inoperable prior to the time of disposal, the agency should follow instructions in Section .01 B. INOPERABLE VEHICLES APPROVED FOR TRADEIN/REPLACEMENT of this Appendix.

5. The following **MUST BE COMPLETED** by the custodial agency before the vehicle can be delivered to the auction or sales site:
  - a. Vehicle must be cleaned inside and out.
  - b. All emblems and any identifying State markings must be removed from the vehicle.
  - c. State license tags removed from the vehicle at the time of transfer and retained by the custodial agency.
  - d. All State owned equipment (radios, telephones, emergency lights, etc.) must be removed from the vehicle.

6. The following MUST ACCOMPANY the vehicle when delivered to the auction or sales site:
  - a. Original, yellow and pink copy of the Vehicle Changeover Authorization / Disposal Order.
  - b. Vehicle Title. NOTE: Title must be in the name of the agency to which funds from the sale of the vehicle will be forwarded.
  - c. Odometer Disclosure Statement - (See Exhibit 7)
  - d. Vehicle Keys.

7. The following IS REQUIRED by the custodial agency after the vehicle is delivered to the auction or sales site:

- a. At the time the vehicle is taken out of service, the vehicle fueling card (if applicable) for the Statewide Fuel Dispensing System shall be removed from the vehicle and returned to the agency fleet manager.

The agency fleet manager must return the vehicle fueling card to Commercial Fuel Systems within 14 days. DO NOT DESTROY THE CARD.

- b. The receipt portion of the Vehicle Changeover Authorization/Disposal Order must be signed by a representative of the auction site or sales site. The original and pink copy will be retained by the auction/sales. The yellow copy will be retained by the agency for record purposes.
- c. Agency internal procedures should be followed regarding transfer of PHH Maintenance cards and toll ticket books.

8. After the vehicle is sold, ISSSD will instruct the custodial agency to remove the vehicle from its property records.

**B. IN-OPERABLE VEHICLES APPROVED FOR TRADEIN/REPLACEMENT** by DBM shall be transported to an auction or sales site designated by ISSSD. Transport arrangements will be made by ISSSD.

1. The agency fleet manager will contact ISSSD by telephone when it becomes necessary to have an inoperable vehicle transported to the auction or sales site.

2. When reporting the inoperable vehicle, the agency fleet manager must refer to the DGS Control No. located on the Vehicle Changeover Authorization/Disposal Order previously issued by ISSSD.
3. Upon receipt of this information ISSSD will make the necessary arrangements to have the vehicle transported.
4. The transport company will contact the appropriate person within the agency by telephone to make arrangements to pick up the vehicle.
5. It is the responsibility of the Agency Fleet Manager to ensure that all requirements listed below are met for vehicles being transported to an auction or sales site:
  - a. The original, yellow and pink copy of the Vehicle Changeover Authorization/Disposal Order, title, odometer disclosure statement and vehicle keys shall be given to the transport or tow operator. The operator will sign the receipt portion of the form and return the yellow copy to the agency. The original and pink copy shall accompany the vehicle.
  - b. State license tags must be removed prior to transporting the vehicle and retained by the custodial agency.
  - c. All State owned equipment (radios, telephones, emergency lights, etc.) must be removed from the vehicle prior to transport.
  - d. The vehicle fueling card (if applicable) for the Statewide Fuel Dispensing System shall be removed from the vehicle and returned to the agency fleet manager prior to transport.

The agency fleet manager must return the vehicle fueling card to Commercial Fuel Systems within 14 days. **DO NOT DESTROY THE CARD.**

- e. The agency is responsible for the removal of all emblems and any identifying State markings from the vehicle either before the vehicle is transported or as soon as possible thereafter at the auction or sales site.
- f. Agency internal procedures should be followed regarding transfer of PHH Maintenance cards and toll ticket books.

6. After the vehicle is sold, ISSSD will instruct the agency to remove the vehicle from its property records.
- C. OPERABLE VEHICLES NOT SCHEDULED FOR TRADEIN/REPLACEMENT** but considered excess property to the agency and approved for disposal by DBM (fleet downsizing) shall be taken to an auction or sales site designated by ISSSD.
1. An Excess Property Declaration (DGS-950-9) shall be submitted to ISSSD prior to disposal.
  2. Written approval from DBM to dispose of the vehicle shall accompany the Excess Property Declaration (DGS-950-9).
  3. Upon receipt of this information ISSSD shall forward a Vehicle Changeover Authorization/Disposal Order (See Exhibit 4) to the custodial agency with disposal instructions, or ISSSD may instruct the agency to obtain bids to sell the vehicle to the highest bidder, if it is in the best interest of the State. See Section G of this Appendix regarding vehicles sold to the highest bidder.
  4. The following **MUST BE COMPLETED** by the custodial agency before the vehicle can be delivered to the auction or sales site:
    - a. Vehicle must be cleaned inside and out.
    - b. All emblems and any identifying State markings must be removed from the vehicle.
    - c. State license tags removed from the vehicle at the time of transfer and retained by the custodial agency.
    - d. All State owned equipment (radios, telephones, emergency lights, etc.) must be removed from the vehicle.
  5. The following **MUST ACCOMPANY** the vehicle when delivered to the auction or sales site:
    - a. The original, yellow and pink copy of the Vehicle Changeover Authorization/Disposal Order.
    - b. Vehicle Title. NOTE: Title must be in the name of the agency to which funds from the sale of the vehicle will be forwarded.

- c. Odometer Disclosure Statement - (See Exhibit 7)
      - d. Vehicle Keys.
  - 6. The following IS REQUIRED by the custodial agency after the vehicle is delivered to the auction or sales site:
    - a. At the time the vehicle is taken out of service, the vehicle fueling card (if applicable) for the Statewide Fuel Dispensing System shall be removed from the vehicle and returned to the agency fleet manager.
    - b. The agency fleet manager must return the vehicle fueling card to Commercial Fuel Systems within 14 days. DO NOT DESTROY THE CARD.
    - c. The receipt portion of the Vehicle Changeover Authorization/Disposal Order must be signed by a representative of the auction site or sales site. The original and pink copy will be retained by the auction/sales site. The yellow copy will be retained by the agency for record purposes.
    - d. Agency internal procedures should be followed regarding transfer of PHH Maintenance cards and toll ticket books.
  - 7. After the vehicle is sold, ISSSD will instruct the agency to remove the vehicle from its property records.
- D. INOPERABLE VEHICLES INVOLVED IN AN ACCIDENT** and approved for disposal by DBM shall be transported to an auction or sales site designated by ISSSD. Transport arrangements will be made by ISSSD.
- To avoid storage charges whenever an inoperable vehicle has been towed to a garage, repair estimates should be obtained as quickly as possible, and initially reported by telephone to the State Fleet Administrator, and the State Treasurer's Office. In order to expedite the process, the agency should fax the Excess Property Declaration (DGS-950-9) and DBM approval to ISSSD and await disposal instructions.
- 1. Agencies should follow current policies in effect by the State Treasurer's Office with regard to State vehicles involved in accidents.

2. An Excess Property Declaration (DGS-950-9) shall be submitted to ISSSD prior to disposal.
3. Written approval from the DBM to dispose of the vehicle shall accompany the Excess Property Declaration (DGS-950-9).
4. Upon receipt of this information ISSSD shall forward a Vehicle Changeover Authorization/Disposal Order (See Exhibit 4) to the custodial agency with disposal instructions, or ISSSD may instruct the agency to obtain bids to sell the vehicle to the highest bidder, if it is in the best interest of the State. See Section G of this Appendix regarding vehicles sold to the highest bidder.
5. Upon receipt of this information ISSSD will make the necessary arrangements to have the vehicle transported.
6. The transport company will contact the appropriate person within the agency by telephone to make arrangements to pick up the vehicle.
7. It is the responsibility of the Agency Fleet Manager to ensure that all requirements listed below are met for vehicles being transported to an auction or sales site:
  - a. The original, yellow and pink copy of the Vehicle Changeover Authorization/Disposal Order, title, odometer disclosure statement and keys shall be given to the transport or tow operator. The operator will sign the receipt portion of the form and return the yellow copy to the agency. The original (white) copy and pink copy shall accompany the vehicle.
  - b. State license tags must be removed prior to transporting the vehicle and retained by the custodial agency.
  - c. All State owned equipment (radios, telephones, emergency lights, etc.) must be removed from the vehicle prior to transport.
  - d. The vehicle fueling card (if applicable) for the Statewide Fuel Dispensing System shall be removed from the vehicle and returned to the agency fleet manager prior to transport.
  - e. The agency fleet manager must return the vehicle fueling card to Commercial Fuel Systems within 14 days of pickup. **DO NOT DESTROY THE CARD.**

- f. All emblems and any identifying State markings must be removed from the vehicle either before the vehicle is transported or as soon as possible thereafter at the auction or sales site.
    - g. Agency internal procedures should be followed regarding transfer of PHH Maintenance cards and toll ticket books.
  - 8. After the vehicle is sold, ISSSD will instruct the agency to remove the vehicle from its property records.
- E.** INOPERABLE VEHICLES NOT INVOLVED IN AN ACCIDENT but are damaged beyond economical repair and approved for disposal by DBM shall be transported to an auction or sales site designated by ISSSD. Transport arrangements will be made by ISSSD.

To avoid storage charges whenever an inoperable vehicle has been towed to a garage, repair estimates should be obtained as quickly as possible, and initially reported by telephone to the State Fleet Administrator. In order to expedite the process, the agency should fax the Excess Property Declaration (DGS-950-9) and DBM approval to ISSSD and await disposal instructions.

1. An Excess Property Declaration (DGS-950-9) shall be submitted to ISSSD prior to disposal.
2. Written approval from DBM to dispose of the vehicle shall accompany the Excess Property Declaration (DGS-950-9).
3. Upon receipt of this information ISSSD shall forward a Vehicle Changeover Authorization/Disposal Order (See Exhibit 4) to the custodial agency with disposal instructions, or ISSSD may instruct the agency to obtain bids to sell the vehicle to the highest bidder, if it is in the best interest of the State. See Section G of this Appendix regarding vehicles sold to the highest bidder.
4. Upon receipt of this information ISSSD will make the necessary arrangements to have the vehicle transported.
5. The transport company will contact the appropriate person within the agency by telephone to make arrangements for pick up of the vehicle.
6. It is the responsibility of the Agency Fleet Manager to ensure that all requirements listed below are met for vehicles being transported to an auction or sales site:

- a. The original, yellow and pink copy of the Vehicle Changeover Authorization/Disposal Order, title, odometer disclosure statement and keys shall be given to the transport or tow operator. The operator will sign the receipt portion of the form and return the yellow copy to the agency. The original and pink copy shall accompany the vehicle.
  - b. State license tags must be removed prior to transporting the vehicle and retained by the custodial agency.
  - c. All State owned equipment (radios, telephones, emergency lights, etc.) must be removed from the vehicle prior to transport.
  - d. The vehicle fueling card (if applicable) for the Statewide Fuel Dispensing System shall be removed from the vehicle and returned to the agency fleet manager prior to transport. The agency fleet manager must return the vehicle fueling card to Commercial Fuel Systems within 14 days of pickup. DO NOT DESTROY THE CARD.
  - e. All emblems and any identifying State markings must be removed from the vehicle either before the vehicle is transported or as soon as possible thereafter at the auction or sales site.
  - f. Agency internal procedures should be followed regarding transfer of PHH Maintenance cards and toll ticket books.
7. After the vehicle is sold, ISSSD will instruct the agency to remove the vehicle from its property records.

**F. DISMANTLING VEHICLES FOR SPARE PARTS (Cannibalize)** ISSSD may approve requests to dismantle a vehicle for spare parts. For complete procedures for dismantling refer to Section IV .05 D. of the DGS Inventory Control Manual, Rev 7/03.

1. An Excess Property Declaration (DGS-950-9) shall be submitted to ISSSD PRIOR to dismantling.
2. Written approval from DBM to dispose of the vehicle shall accompany the Excess Property Declaration (DGS-950-9).
3. Upon receipt of this information ISSSD will review the information, forward an Excess Property Disposal Order (DGS950-11) and notify the custodial agency in writing of the approval or rejection.
4. After the vehicle is dismantled the custodial agency will complete Section A: of the Excess Property Disposal Order (DGS-950-11) certifying that and certify that the vehicle was dismantled and attach

- an itemized list of the salvaged components to the Excess Property Disposal Order (DGS-950-11) and forward all information to ISSSD.
5. At the time the vehicle is taken out of service, the vehicle fueling card (if applicable) for the Statewide Fuel Dispensing System shall be removed from the vehicle and returned to the agency fleet manager.

The agency fleet manager must return the vehicle fueling card to Commercial Fuel Systems within 14 days. DO NOT DESTROY THE CARD.

6. State license tags shall be removed from the vehicle at the time of dismantling and returned to the Motor Vehicle Administration.
7. The vehicle title shall be returned to the Motor Vehicle Administration stating that the vehicle was dismantled for spare parts.
8. After the vehicle is dismantled and all necessary documentation has been received by ISSSD, ISSSD will instruct the agency to remove the vehicle from its property records.
9. If the request to dismantle is denied ISSSD shall forward an Excess Property Disposal Order (DGS-950-11) to the custodial agency with disposal instructions.

**G. VEHICLES AUTHORIZED TO BE SOLD TO THE HIGHEST BIDDER** If it is determined to be in the best interest of the State, ISSSD may instruct the custodial agency to sell the vehicle to the highest bidder. PREFERENTIAL SALES TO STATE EMPLOYEES ARE FORBIDDEN (SECTION IV, .08, A. AND B.)

State Motor Vehicle Inspection Laws prohibit the State from selling vehicles directly to the public. Bids shall be accepted from licensed used vehicle or scrap dealers.

1. An Excess Property Declaration (DGS-950-9) shall be submitted to ISSSD prior to disposal.
2. Written approval from DBM to dispose of the vehicle shall accompany the Excess Property Declaration (DGS-950-9).
3. Request for bids shall be solicited in writing from at least three prospective bidders in the private sector. All three bids shall be forwarded to DGS/ISSSD for review. Before approving the sale, ISSSD may instruct the custodial agency to obtain additional bids or have the vehicle towed to an alternate site and sold.

4. The solicitation document shall state that the vehicle is being sold "as is - where is" with no implied warranties.
5. Upon receipt of the bid information, ISSSD shall forward an Excess Property Disposal Order (DGS-950-11) to the custodial agency with disposal instructions.
6. At the time the vehicle is taken out of service, the vehicle fueling card (if applicable) for the Statewide Fuel Dispensing System shall be removed from the vehicle and returned to the agency fleet manager. The agency fleet manager must return the vehicle fueling card to Commercial Fuel Systems within 14 days. DO NOT DESTROY THE CARD.
7. Title and keys shall be turned over to the successful highest bidder.
8. State license tags shall be removed from the vehicle at the time of transfer and retained by the custodial agency.
9. The Excess Property Disposal Order (DGS-950-11) with Section A: completed and a copy of the check and transfer documents for the sale of the vehicle shall be forwarded to ISSSD. (Transfer documents can consist of completed Bill of Sale or copy of the title with transfer section completely filled in.)
10. After the vehicle is sold and all required documentation is received, ISSSD will instruct the agency to remove the vehicle from its property records.

**H.** VEHICLE TRANSFERS - After DBM approval to transfer the vehicle is received, follow procedures in Section IV .04 A. B. of the DGS Inventory Control Manual, Rev. 7/03.

In addition to the above listed procedures the following is required by the custodial agency prior to transfer:

1. The vehicle fueling card (if applicable) for the Statewide Fuel Management Systems must be returned to the fleet manager.

The agency fleet manager must return the vehicle fueling card to Commercial Fuel Systems within 14 days of transfer. DO NOT DESTROY THE CARD.

2. State license tags must be removed from the vehicle prior to transfer or transferred to the accepting agency through MVA.
3. Vehicle title transferred and keys turned over to the agency the vehicle is being transferred to.

NOTE: Accepting agency should then apply for a new vehicle fueling card (if applicable) and have title and state license tags transferred to the new custodial agency's name through MVA.

- I.** VEHICLE DONATIONS - After DBM approval to dispose of the vehicle is received, follow procedures in Section IV .05 G. of the DGS Inventory Control Manual, Rev. 7/03.

In addition to the above listed procedures the following is required by the custodial agency prior to donation:

1. The vehicle fueling card (if applicable) for the Statewide Fuel Management System must be returned to the fleet manager.

The agency fleet manager must return the vehicle fueling card within 14 days of the donation to Commercial Fuel Systems. DO NOT DESTROY THE CARD.

2. State license tags removed from the vehicle prior to donation and returned to the Motor Vehicle Administration.
3. Vehicle title transferred and keys given to the appropriate donee.

- J.** MISSING AND STOLEN VEHICLES - Refer to Section V of the DGS Inventory Control Manual, Rev. 7/03.

In addition to the above listed procedures the following is required by the custodial agency when a vehicle is missing or stolen:

1. Report without delay to Commercial Fuel Systems that the vehicle fueling card (if applicable) for the Statewide Fuel Management System is missing/stolen. Commercial Fuel Systems should be contacted as soon as it is known that the fuel card is missing or stolen.

2. Report to MVA that the state license tags are missing / stolen.

## APPENDIX II: STOREROOM TECHNIQUES

(Including Procedures and Controls)

The number of storerooms and their location should be of prime interest to the agency. Whenever new storerooms are being considered, the question of whether there should be one storeroom or many should be evaluated. Also, the amount of activity in the storeroom should be simulated - the number of withdrawals and receipts - to aid in determining personnel, layout and equipment needs. The agency should recognize that the need for accurate storeroom control must be balanced against the extra labor and material handling costs that can be easily generated by an overly rigid system.

It is sound policy to have one manager responsible for operation of the storeroom and the accuracy of the inventory records used to control the storeroom. The office of the agency buyer or primary procurement officer is the recommended area of responsibility for these functions. However, personnel actually involved in the record keeping and storeroom operations must function independently and indeed, must be physically separated from each other insofar as space and organization permits.

One of the basic problems faced by Departments in maintaining records to control storeroom inventories is that of assigning responsibility for record accuracy. Except for purely clerical errors such as keying mistakes, misfiling, and misplaced documents, most problems in maintaining the inventory records can best be eliminated in the storeroom. Among the typical causes of record inaccuracies are:

1. Allowing users to withdraw supplies to replace those lost, scrapped, or needed for other reasons in the user's program without completing the proper paperwork.

Possible solution:

Supplies should never be issued without properly approved withdrawal requisitions.

2. Withdrawal of supplies from the storeroom by unauthorized personnel night shift operators, department foreman, service people, etc. without completing the proper paperwork.

Possible solution:

The night-shift problem can be handled by delegating authority to issue materials and the responsibility for completing the proper paperwork to a key employee, watchman or guard. Except in emergencies, paperwork should never be completed "after the fact" or on a delayed basis.

3. Direct delivery of urgently needed supplies to the user when they arrive from the vendor without going through inspection or having the proper paperwork completed.

Possible solutions:

Insofar as possible, a central receiving unit should be established and include procedures for priority handling of emergency and urgent deliveries.

In the event that deliveries must be made directly to the user, procedures should be in place to insure that all concerned are apprised of their responsibility to complete the necessary paperwork.

4. Misidentification of materials and supplies.

Possible solutions:

A commodity numbering system should be used. Commodity numbers, in addition to meaningful commodity descriptions, should be used to identify items on all paperwork transactions that are transmitted to the inventory record clerk.

Additionally, specific storage spaces or bins should be assigned to each commodity. Each space or bin should be labeled with the commodity number and description.

Insofar as possible, storeroom requisition forms should be preprinted with the commodity number and description.

The State of Maryland uses a standardized commodity numbering system for all commodities. For further information regarding this system, contact the DGS Inventory Standards and Support Services Division.

5. Inaccurate piece counts, compared with requisitioned quantities - caused by human error or deliberate delivery of package sizes or quantities which are different from the requisitioned amounts.

Possible solution:

The only real solution to this problem is good storeroom discipline. Storeroom withdrawal requisition forms should be in triplicate copies at least. One copy each should be retained by the requisitioned, the storeroom and the inventory record keeper. Any changes to requisition quantities, delivery quantities or items ordered must be made on all three copies and both the requisitioned and the issuer should sign the requisition certifying delivered amounts before the copies are separated.

6. Misappropriation of property by dishonest people.

Possible solutions:

Keeping storerooms locked when unattended and restricting access to authorized personnel only will prevent property from being misappropriated by people not connected with the storeroom.

To help minimize property misappropriation by personnel connected with the storeroom, an accurate inventory record keeping system and segregation of duties is necessary. Accurate inventory records are the basis for identifying and monitoring property loss. Frequent periodic test counts of items that are highly subject to theft should be made and compared with record balances to identify shortages and initiate corrective action. Duties should be assigned so one individual is not in a position to perpetuate and conceal a misappropriation.

Storeroom personnel should be held accountable for items taken from storerooms without the required paperwork being completed.

7. Delayed flow of paperwork between material handling personnel and the inventory records, plus loss of some copies of important receipts or requisitions.

Possible solution:

One technique that can be of some assistance in being sure that all paperwork is getting into the inventory records is to have serially numbered forms for all documents that affect the inventory control records, so that missing documents can be traced.

Undoubtedly, most problems in controlling storeroom inventories can be traced to inadequate training and lax discipline. Personnel whose activities have the most effect on record accuracy may lack complete understanding of their duties or of the results of their failure to follow the proper procedures. Inventory users and material handling people sometimes have a disdain for paperwork that can only be overcome by reinforcing training and enforcing the rules.

## **APPENDIX III: PHYSICAL INVENTORY TECHNIQUES FOR MATERIALS AND SUPPLIES STOREROOMS**

(Including Procedures and Controls)

The primary reason for conducting periodic physical inventories is to insure accuracy of the inventory records and to account for stock items. Property officers, Accountable Officers and others responsible for keeping users supplied with their inventory needs should use the physical inventory data to correct any inaccuracies that may have occurred in the intervals between physical inventories.

Responsibility for conducting a physical inventory usually falls upon the Department buyer or property officer who should be sure that sound techniques are used to get the greatest benefits from the substantial costs incurred in such inventory-taking. As with any other task, the end results depend principally upon the effort put into preparation. Preparation for physical inventory involves four phases:

1. Housekeeping - Getting materials arranged and located properly so that they can be easily inventoried. Make sure that every item is stored in its proper normal location, and only in that location. All paperwork should be up to date before starting the inventory.
2. Identification - The quality of the inventory depends on the accuracy of commodity identification. All identification work should be completed prior to starting the inventory. Storage locations (bins, shelves, pallet areas, etc.) as well as the commodities should be clearly labeled with the commodity identification.
3. Instruction - Making sure that everyone involved in the inventory knows what to do, which items are to be inventoried and which are not, and the control disciplines that must be observed.
4. Training - Actual "hands-on" training in counting and checking must be given to those people who will do the counting. Every counter and checker should participate in practice counts. Since physical inventory is usually taken on a yearly basis, even experienced personnel need to have their memories refreshed.

In taking the inventory, four basic steps are usually involved:

1. Provide lists of items to be inventoried in each storeroom. Hand written lists or counting tickets, is acceptable.
2. Count the items and record the count on the listing or ticket. Mark the storage locations in a predetermined manner to indicate that counting has been completed for each area.
3. Verify the counts either by recounting (second count) or by sampling.
4. After appropriate investigation and approval, adjust the inventory records for differences between record and physical quantities and dollars. Auditing recounts should be made for significant discrepancies.

Agencies cannot take a passive approach to the annual physical inventory.

1. Accountable Officers and Property Officers should be active in organizing the inventory and supervising its taking.
2. They should also be available to answer questions on procedure or identification during the actual inventory.
3. Auditing teams should be available so that, as inventories are reported and posted against the records, obvious discrepancies can be checked immediately before storeroom activity is resumed and recounts made impossible.

Some general pointers that will help make a successful annual physical inventory are:

1. In choosing teams to conduct an inventory, one individual should be able to identify materials in order to correct misidentified items in the storeroom.
2. Serially numbered inventory identification tags or lists provide a method of ensuring that all items counted have been accounted for in the records.
3. The most important concern in reconciling inventory records with the physical inventory data is the establishment of cutoff dates, so

that paperwork in the system is accounted for properly. Accountings for all outstanding paperwork such as, requisitions, receiving reports, adjustments, etc., are just as important as the physical inventory of the parts. Input and output papers should be posted properly to inventory records so that a valid comparison of record balances and physical counts is possible. Except in emergencies, all storeroom operations should be suspended during the physical inventory. If at all possible, all paperwork should be up to date before starting the physical inventory.

4. Inventory records should be posted and verified during the inventory if possible and always before physical inventory information is passed on to accounting. This permits rechecking physical counts and clearing up other questions immediately, so that the inventory data is purified and storeroom activity can be resumed based on accurate records.

One of the most helpful techniques to improve physical inventory-taking is a post inventory review. This is usually the time when people are least inclined to even think about physical inventory, but is also the time when problems that occurred during physical inventory-taking are freshest in mind. If the people most directly involved are assembled in a postmortem briefing, problems can be reviewed and specific program revisions can be developed to improve procedures for future physical inventories. This is also the time to review inventory usage and determine which items should be written off the inventory records.

## APPENDIX IV: CYCLE COUNTING

There are many disadvantages in taking a yearly physical inventory, and many private companies no longer do it. Taking a physical inventory usually involves shutting the facility down and losing production. The manpower and paperwork can be very expensive. Since it is usually done under pressure, there is much hurrying to complete the inventory and it is frequently done poorly. Under any circumstances, using a large number of people who are not accustomed to the job of taking inventory almost always results in waste and errors. Not the least of the disadvantages of an annual physical inventory is that it results in correcting record errors only once a year for the great majority of items. Because of these disadvantages, many companies now use periodic cycle counting to insure the accuracy of their inventories.

Cycle counting involves taking physical inventories of specific items at regular intervals throughout the year, usually just before the items are reordered. Cycle inventory avoids the costly shutdown of production facilities and the high labor costs and overtime premiums that almost always result from the pressure to complete the annual physical inventory in minimum time. Additionally, cycle counting can usually be carried out by stockroom personnel during the off peak hours. Stockroom employees are more familiar with the numbering system and location of items in the storeroom. They can be trained to be far more accurate counters than other personnel who are involved in inventory taking only once a year.

A cycle inventory system should be designed so that fast-moving items are counted more frequently. Some cycle inventory systems count items only when they are reordered. Since more popular items are reordered more frequently, they will be counted and verified more frequently. Other cycle inventory systems specify how many times each item must be counted, often calling for A items to be counted twice during the year, B items annually, and C items every two years (for example).

A cycle inventory system may be based on a check of the quantity in the bins when a replenishment lot is received in the storeroom. This technique is particularly practical since the quantity to be counted is at a minimum and the record keeper has the item card ready for posting. In simple paperwork systems, it is sufficient to have the stockroom employee write the inventory quantity on the bottom of the receiving document. The inventory record keeper can then check that quantity against the item record when posting the quantity received.

There are disadvantages to cycle counting as well as advantages. The problem of establishing paperwork cutoff dates is difficult enough for the annual physical inventory, but it becomes even more challenging for cycle counts to be made while normal agency activities are going on. Picking up the paperwork in the system so that the inventory can be properly reconciled to the records requires considerable ingenuity and discipline.

The most serious disadvantage of the cycle count system is that it is usually done by regular stockroom personnel who normally have sufficient time to handle it. When activity at the facility picks up, however, there is always great reluctance to add more personnel in the stockroom. In order to give stockroom personnel more time during heavy activity periods, cycle counting is too often discontinued. More cycle count systems have failed for this reason than have successfully been continued, in spite of the obvious advantages of cycle counting. The best solution is a team of cycle counters permanently assigned to this work.

Annual physical inventories or cycle checks are not a substitute for good records and discipline in handling paperwork. Many agencies recognize their failure to maintain accurate records because of the resulting problems generated from within (lack of personnel, more pressing areas of concentration, shortages, overstocks, etc.) but they often depend solely on physical inventories to straighten out their records. Unless the failures that caused the records to go wrong are corrected, the records will be in error again and again.

## APPENDIX V: EQUIPMENT IDENTIFICATION

The system of identifying equipment should be so designed that it facilitates identification and control over the item as well as the taking of physical inventories. The method and extent of marking property for identification depends upon the value of the item, if it is subject to theft or loss, if it is intermingled with property of other agencies, and if marking the item will aid in the taking of physical inventories. The identification system should serve as a theft deterrent and provide positive identification for control purposes.

To deter theft and facilitate the recovery of stolen property, capitalized and non-capitalized equipment should be identified as State property by marking the items with the words "Property of the State of Maryland, Morgan State University". To assure accurate physical inventories, each capitalized item should be further identified by its own unique property number (refer to Section I for definitions and Section II for capitalization limits).

- A. Identification markings on property should be located where they can be easily seen on the front or side of the item near the topmost surface.
- B. Out-of-sight identification is much less effective as a theft deterrent and should be avoided.
- C. To make it easier to locate identification markings when taking a physical inventory, like items should be marked in the same location.
- D. Markings should be permanent and applied in such a manner that they appear as neat and attractive as possible.

Permanent type labels that cannot be removed without destroying the label and causing some surface damage to the item are to be used for both sensitive and non-sensitive items.

Several satisfactory types of labels are:

1. Pressure Sensitive Labels. These labels can be plasticized paper, mylar, foil, or any other type of permanent substance. In no case should they be made of untreated paper. They may be ordered in a variety of sizes and imprinted with consecutive property numbers and the identification "Property of the State of Maryland." These labels are relatively inexpensive, have varying degrees of permanence and are preferred by MSU.

2. Anodized Aluminum with solvent activated adhesive backing. These labels can be imprinted across the upper section with the inscription "Property of the State of Maryland." They may also be ordered with stamped consecutive property numbers, consisting of a maximum of ten positions for numbers, letters and spaces. These labels are moderately expensive and may require reapplication if used in low humidity areas.
3. Aluminum, brass or alloy labels - These labels usually have pre-drilled holes for attachment with rivets or screws. A somewhat outmoded technique, they are usually very expensive and their use is not encouraged.

To facilitate physical inventory taking, the use of a bar coded or other electronically sensed labels are encouraged. New computerized systems for controlling equipment assets should encompass electronically sensed labels. Contact the DGS Procurement and Logistics for information regarding label purchases from State-wide contracts.

#### N O T E S:

1. For sensitive items (items highly subject to theft) permanent labeling may mean surface etching, especially on hard or non-porous materials. An inexpensive hand electric engraver, available at most department and discount stores, is recommended for this purpose. The tool creates a series of surface depressions that gives an illusion of a solid line to the naked eye. With practice, anyone can safely use this tool to neatly and attractively mark State property.
2. Items that have a porous surface may also be marked with an indelible ink or paint that penetrates deeply into surface pores.
3. Labels may not adhere properly to rough, greasy or dirty surfaces. Before applying labels to furniture and equipment, make sure the surface area is free of dirt, grease, and oil. Rough surfaces should be sanded or ground smooth.
4. The use of different label colors or sizes will make it easy to distinguish capital from noncapital equipment items when taking physical inventories. Also, the agency name or number added to labels will prove helpful in identifying property whenever it is intermingled with property of another agency.
5. Unless an agency intends to re-label all items to meet the requirements of a computerized system, items currently identified as "Property of the State of Maryland, Morgan State University" need not be re-labeled, nor should any existing supplies of identification labels be discarded. When reordering, new labels should conform to these suggestions and to the procedures in Section II.

## **APPENDIX VI: PROCEDURE FOR ADJUSTING DOLLAR VALUE THRESHOLD FOR CAPITALIZING EQUIPMENT ASSETS**

### **.1 AUTHORITY**

The Board of Public Works has delegated authority to the Morgan State University to increase the threshold for capitalizing equipment assets as high as \$5000.00 for non-sensitive items and as high as \$2500.00 for sensitive items.

### **.2 POLICIES**

- A. Each agency is vested with the responsibility for the control, care, maintenance and security of all State property within its organization regardless of its value.
- B. Agencies continue to be accountable for items removed from capital inventory records due to an increase in the capitalization threshold. Such items become non-capital equipment and must be identified as State property.
- C. Disposal of non-capital equipment must be accomplished in accordance with Section IV of the Morgan State University Inventory Control Manual (Revised 7/03).
- D. Reporting of missing and stolen non-capital equipment must be accomplished in accordance with Section V of the Inventory Control Manual.
- E. Refer to Section II.04 of the Inventory Control Manual for procedures regarding inventory controls for non-capital equipment.