

City of Pittsburgh

Property Control Users Guide

Asset Management and Inventory Policies & Procedures for City Employees



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INTRODUCTION

The “life cycle” of an item of City Property begins with an idea. We call this idea the Budget. From here the life cycle may continue through various stages: Purchasing (requisitions, purchase orders, vouchers, payments/checks), operational use, care, maintenance, custody, replacement, sale, or disposal.

As a City employee you may have responsibilities at one or more of these stages along the life cycle. The Office of Management & Budget has prepared this **Property Control Users Guide** to help you understand and perform those responsibilities. These policies and procedures are effective immediately.

We have written this **Users Guide** primarily for the several **Inventory Liaisons** and their supervisors throughout the departments, bureaus, and offices of City Government. We also hope elected officials and the general reader will find it helpful.

At the outset, a few qualifications:

This **Users Guide** does not cover real estate: Land, buildings, leases, construction works in progress. It does not cover infrastructure: Roads, bridges, tunnels, water systems, and the like.

This **Users Guide** treats Vehicles in the Appendix. We currently have a system in place that keeps track of vehicles. It lies beyond the scope of your role as Inventory Liaison and is provided for your information only.

This **Users Guide** does not provide a detailed treatment of the many accounting aspects attendant upon the purchase, use, and disposal of City property. These lie within the domain of the City Controller’s Office. We will touch upon them lightly in the chapters that follow where doing so may elucidate the subject matter and give you a better understanding of your role as Inventory Liaison.

Pittsburgh’s Government has a number of subdivisions. Some of the more common ones are department, bureau, office, commission, and authority. For clarity and brevity’s sake, we sometimes employ the term, “unit of government” when referring to these. As Inventory Liaisons, some of you will be responsible for an entire department, while others may have responsibility for a single office or commission.

CHAPTER ONE

Property Control Items

The City defines “Property Control Items” to be assets with useful lives of two years or more, but with an acquisition cost of less than \$5,000 (and greater than \$1,000). Examples may include desks, other large office furniture items, and computer equipment. Unlike those assets costing more than \$5,000, Property Control Items are not *capitalized*. They are not carried on the City’s books with a value. They are not depreciated.

But we still have a responsibility to keep track of them. In fact, most of you will be more concerned in your daily tasks with these Property Control Items than with the big-ticket “Capital Assets” (discussed below in Chapter Two).

It is the express policy of the Office of Management & Budget that the same degree of care applied to Capital Assets should also apply to Property Control Items. The \$5,000 “line of demarcation” is a matter of accounting practice and (frankly) of convenience.¹ It should not lead us to slacken our vigilance on those items of property that happen to cost less than \$5,000. At OMB it is our intent to provide you with the resources, tools, and training that will enable you to keep track of the property within your charge to the greatest extent possible. We will do this through a “combination approach.” On the one hand we will coordinate the several “stand alone” systems currently in use throughout the City’s departments, bureaus, and offices. On the other hand we will implement and expand the use, where appropriate, of the JDE Inventory Module and/or Asset Management Module.

Over the years many of you have done excellent work keeping track of property. Examples include I & P’s extensive database of computers, printers, and monitors²; the Police Bureau’s listing of Mobile Data Terminals (MDTs, “Tough Books”); and the work of both First Vehicle Services and the Department of Public Works with respect to the City’s Vehicle Fleet and other Heavy Equipment. It is not our intent to replace or duplicate any of these “stand alone” systems if, upon review, we can be assured they are doing an adequate job safeguarding City property.

¹ This \$5,000 mark is also in compliance with the guidance of the Government Finance Officers Association. GFOA Best Practice, *Establishing Capitalization Thresholds for Capital Assets, 2006* states: “In no case should a government establish a capitalization threshold of less than \$5,000 for any individual item.”

² All current policies and practices of the Department of Innovation & Performance with respect to the purchase, placement, use, and disposal of computers, printers, monitors, etc., will continue in force. Nothing in this **Users Guide** shall be interpreted to replace these existing policies and practices.

OMB and the JDE Team have created a new process to capture data on City purchases between \$1,000 and \$5,000. We will compile data on these Property Control Items by department and provide it to you on a yearly basis for review. And we will work with you to tag these items when appropriate and to easily compile periodic reports.

CHAPTER TWO

Capital Assets

The City defines a “Capital Asset” as an item of property having a useful life of two years or more and an acquisition cost of \$5,000 or more. As noted above, this definition is a matter of policy, accounting standards, and convenience. Assets deemed to be “Capital Assets” are treated somewhat differently. They are entered into the JDE Asset Management Module. They are carried on the City’s books with a value for accounting purposes. And they are depreciated.³ You don’t need to worry about this. But, as departmental users and particularly as Inventory Liaisons you do have at least two other roles with respect to these Capital Assets.

First, you will keep track of them just like you keep track of your Property Control Items, with JDE or with one of the “stand alone” systems mentioned above.

Secondly, as our “eyes and ears” in the field you can help us identify Capital Assets purchased or placed into service by your department. Although we have other ways to “flag” expenditures greater than \$5,000 for further review,⁴ it is very helpful to us if you are “on the lookout” for them too. When you see an invoice for a purchase greater than \$5,000, please forward a copy of that invoice to the Fixed Asset Manager in OMB.

Regardless of how the expenditure comes to our attention, once it is identified as a possible candidate for Capital Asset treatment, OMB will schedule a time to meet with the relevant Inventory Liaison to view the asset. If it is decided that it is, indeed, a Capital Asset, OMB’s Procurement Specialist will enter it into the JDE Asset Management Module and provide the relevant Inventory Liaison with an asset tag when appropriate.

³ OMB uses the JDE Asset Management Module to capture this data for Capital Assets. We then work with the City Controller’s Office to provide accurate valuation and depreciation data for purposes of the City’s Comprehensive Annual Financial Report issued by the Controller’s Office.

⁴ OMB runs a periodic process called “Revise Unposted Entries” in the JDE Asset Management Module that identifies City expenditures greater than \$5,000. Also, the Controller’s Office provides us with copies of invoices evidencing expenditures greater than \$5,000.

CHAPTER THREE

Annual Inventory

The City's **Home Rule Charter**, at Section 809, states:

“The executive branch shall conduct and maintain an annual inventory of all city property...”

And at Section 404 the **Charter** further states:

The controller shall have the following duties:

* * *

(e) to conduct at least once each fiscal year an audit of the annual inventory required by the charter...”

At the outset we note that the **Charter's** phrase, ***“all city property”*** makes no distinction between “capital” assets (which the City has defined as those costing more than \$5,000) and all other assets or property.

As noted above, the GFOA *does* employ this \$5,000 dividing line. But it does so primarily for accounting and depreciation purposes, not for inventory control. When it comes to keeping track of property items, the procedures recommended by the GFOA are remarkably *similar* for capital assets and for non-capitalized property.⁵ Those GFOA-recommended procedures are summarized here and will provide the framework for your efforts as Inventory Liaisons. They also provide guidance for the Executive Branch as a whole and for the City Controller's Office with respect to its audit of the Annual Inventory of All City Property.

Inventory Liaisons, with the assistance of OMB, shall maintain a list of the Property Control Items within their area of responsibility. At the end of each year they shall prepare a **report** giving a list of these items as of December 31st, along with an explanation of any changes from the previous year. This report should be submitted to OMB no later than January 31st of the new year.

⁵ See, ***GFOA Best Practice, Periodic Inventories of Tangible Capital Assets, 2006***; and also ***GFOA Best Practice, Maintaining Control over Items that are Not Capitalized, 2005***. To the greatest extent practicable both of these ***GFOA Best Practices*** are incorporated into this **Users Guide**.

The form and content of this report will vary from one department to another. But at a minimum each report shall contain the following:

1. A description of the property (for example, red, four-drawer, filing cabinet);
2. A City Inventory Tag Number if one is affixed;⁶
3. The location of the property within the department (if stationary);
4. The individual within the department with custody of the item (if mobile);
5. Other identifiers like manufacturer, brand name, model number, if available.⁷

The GFOA notes *that “well designed and properly maintained perpetual inventory systems,”* such as those contemplated here, can, under the right circumstances, eliminate the need for *yearly* physical counts. But, it goes on to say that no system is so perfect that it can totally eliminate that need.

The GFOA accordingly recommends that “*tangible capital assets*” be ***physically*** inventoried “*at least on a test basis, no less often than once every five years.*” This is the role of the Executive Branch. The Controller’s Office may then audit this work.

⁶ In general it is a good practice to tag most items, even if they are not capital assets. Inventory tags with their own alpha numeric schema to be used exclusively for property control items will be provided to Inventory Liaisons for this purpose.

⁷ Inventory Liaisons please note: You do *not* need to place a monetary value on the items in your report. Such data for items costing more than \$5,000 is the responsibility of OMB to gather. For items costing less than \$5,000, if you have readily available, accurate cost data, you *may* include it in your report if you find it helpful. But you do not have to do so. That information is not integral to your task of monitoring the care, custody, and control of these items. Persons desiring cost/valuation data may consult the City Budget and the purchasing process.

In the case of “Property Control Items” costing less than \$5,000, the GFOA best practice recommends that the “*central accounting function*” (in our case, the City Controller’s Office) periodically “*verify the reliability and completeness of the data on file in each department*” (i.e. your reports described above) “*no less than once every five years.*” And even more often in the case of “*particularly sensitive items.*”⁸

So, to restate more clearly for our purposes:

The Executive Branch will conduct physical inventories of **Capital Assets** at least once every five years. The Controller’s Office can audit that work.

The Inventory Liaisons (with the help of OMB) will compile reports on the **Property Control Items** under their charge. The Controller’s Office can verify those reports at least once every five years.

⁸ These include items acquired via governmental grants requiring enhanced legal compliance; items that by their nature pose a risk to public safety or entail a risk of liability (weapons, for example); and items that involve a heightened risk of theft such as sound equipment (so-called “walk-away” items: Transportable, readily marketable, and easily converted to private use).

CHAPTER FOUR

The End of the Trail

The Life Cycle of an item of property can “end” in at least seven ways. It can be re-used, recycled, disposed of as hazardous waste, thrown away, sold, lost, or stolen.⁹ This Chapter gives you the procedures to follow for each of these situations. But in all cases, the **first step** for you will be to contact the Fixed Asset Manager at OMB. He will meet with you, view the items in question (if applicable), and make an initial determination on which of the paths described below should be followed.

Likewise, in all cases the **last step** will be for you to update your Inventory records. This should include a brief explanation of the change (“disposed,” “sold,” “recycled for aluminum salvage,” etc.). This information will come in handy when you prepare your year-end report, described above in Chapter Three

⁹ Loss and theft are treated together in Section F, below. A possible eighth “end” is donation. The donation of City property may occur on an *ad hoc* basis, but this **Users Guide** provides no policies or procedures in that regard.

A. Re-use

Let's take the common example of Office Furniture. The desks, chairs, tables, filing cabinets, and shelves in your work area are being replaced. What do you do with the "old stuff?" Much of it may still be in serviceable condition and possibly of use to others within City Government. Our first step in these cases must be to attempt to re-use it.

Any and all arrangements to re-use existing City property (either *intra*-departmental or *inter*-departmental) are generally acceptable and may be pursued by the relevant Inventory Liaisons after notice to OMB. An email to the Fixed Asset Manager shall be sufficient for this purpose.

Departments contemplating ***new purchases*** of, among other things, Office Furniture and Equipment, should explore re-use of existing items to determine if a new purchase is necessary. In practice many attempts to re-use City property will be the first step in what may eventually result in listing the property on the City' new Online Auction for Re-sale. (See Section E, below).

B. Recycle

This Section B and the following Section C have been developed jointly by OMB and the Sustainability Coordinator in the Department of Innovation & Performance (I & P). “Recycling” in the context of this Handbook, does *not* refer to the City’s Curbside Pickup Program. And it does *not* refer to the many recycling efforts currently in place at the City-County Building and other City facilities such as Senior Centers, Firehouses, Warehouses, etc. Rather, it refers exclusively to those situations where property slated for disposal may contain materials with salvage value such as aluminum or copper.

Over the years various means have been employed when property like this was “scrapped.” Effective immediately, the following procedures shall apply.

The Fixed Asset Manager at OMB, in consultation with I & P’s Sustainability Coordinator, must view the items to determine the likelihood and/or advisability of the City’s recouping any salvage value.

If an affirmative determination is made, the “scrapping” may proceed in one of two ways: Through the agency of the City’s contract salver, or through work performed by City employees (under the direction of the Department of Public Works).

If the City has no salver under contract, the Department of Public Works may utilize other existing procurement options to hire a “one-time” salver, but it is strongly recommended that the City seek an ongoing contractual relationship with an established salver to cover these situations. This could save time, expedite the removal process, and provide salvage funds to the City in a more timely fashion.

The Fixed Asset Manager of OMB will work with the City’s contract salver or relevant DPW personnel to obtain a list of items disposed of in this manner along with the date of disposal and amounts received. All salvage proceeds are to be deposited into the City’s General Fund, Account Number 48105: “Sale of Scrap.”

C. Hazardous Waste Disposal

Refrigerators, televisions, computers, and many other items contain harmful substances that must be treated with special care. They cannot simply be thrown away or recycled. This is not just City policy. It is a matter of State and Federal laws.

Like “scrapped” items treated above in Section B, potentially hazardous items must be viewed by the Fixed Asset Manager and Sustainability Coordinator. They will determine if special procedures apply and direct any such work from that point. The City may have a private vendor under contract for such instances. The Department of Innovation & Performance is developing a comprehensive “E-Waste Policy” that may apply in many of these cases. If not, the hazardous disposal may be done by City employees under the direction of the Department of Public Works.

Here is a partial list of items that must be treated this way.

Electronic devices: Computers¹⁰, printers, fax machines, televisions, cell phones

Spent fluorescent bulbs, including CFL (Compact Florescent Lamp) bulbs

Devices containing Freon such as air conditioners and refrigerators

Lead-based paint and other lead-contaminated materials

Solvents, oils, paints, fluids (motor oil, gasoline)

Construction demolition materials

Materials containing asbestos

Items containing mercury

Pharmaceutical waste

Batteries

Tires

NOTE: There could be hazardous waste implications for even the most “every day” items. That is why **ALL** items must first be viewed and cleared for disposal by the Fixed Asset Manager and Sustainability Coordinator

¹⁰ See Footnote 2, above.

D. Regular Disposal

Sometimes, despite best efforts to the contrary, property proves to be just about worthless. It will be nearly impossible to find anyone within City Government interested in re-using it. It will have little or no residual or salvage value. And, if you can't give it away it's highly unlikely it can be sold under the procedures in Section E below. So what do you do with it?

As in the cases above, the property items must be viewed by the Fixed Asset Manager and the Sustainability Coordinator. They will determine whether the property in question is, in fact, "worthless." When such a determination is made, the Fixed Asset Manager will certify it to the respective Inventory Liaison in writing. An email shall be sufficient for this purpose. Regular disposal may then proceed either through private vendors or by City employees under the direction of the Department of Public Works.

"Worthless," for purposes of this Section D, shall mean:

1. The property item is a poor candidate for Re-use by the City.
2. The property item has virtually no residual or salvage value or that any such value is out-weighed by the time, trouble, and expense involved in obtaining it; and
3. The property item is a poor candidate for Re-sale on the City's Online Auction.

E. Sale of City Property

The City of Pittsburgh has entered into a contract with GovDeals, Inc., for the online auctioning of surplus City vehicles and equipment. GovDeals is one of the largest Internet based auction providers specializing in service to states, state agencies, institutions of higher learning, and local governments. The Fixed Asset Manager of OMB is the “POC” for this contract (“Point of Contact”) and will work closely with you and GovDeals personnel (including a dedicated Client Services Representative) to identify, list, and sell your surplus property items when appropriate.

Historically the City has used physical auctions primarily for vehicles (and other types of tools, machinery and off-road equipment). These physical auctions may continue in tandem with the new GovDeals online auction. And we will now widen the scope of the City’s resale efforts to include many other types of property more relevant to your job as Inventory Liaison, such as desks, tables, chairs, filing cabinets, computers, printers, and other types of furniture, equipment, tools, and machinery.

We intend to make this process as easy as possible for you. All you have to do is contact the Fixed Asset Manager and provide a list of the items you want to sell and, if possible, some photos. You can take these on your phone and email them. OMB and GovDeals will take it from there. And we will provide you with status updates on the items you have sent to auction so you can revise your Inventory for purposes of both your daily work and the preparation of reports.

F. Theft or Loss

When property items under your charge have been stolen¹¹, you should report this to the Police as soon as possible, but no later than three days from the time you discover the theft. You should also notify the Fixed Asset Manager who will work with you to compile a list of the stolen items. This list, at a minimum, will contain the name and description of the stolen items along with City Asset Tag Numbers, and any other available identifying characteristics. This list should be provided to the Police. And you should obtain a copy of the Police Report which results from their investigation.

The Fixed Asset Manager will keep a copy of your list of stolen items and the Police Report on file. Eventually, depending on the outcome of the investigation, your property records should be amended to reflect the theft.

In some cases you may not know the extent of the theft. OMB will work with you to review and update your existing inventory and to identify what items have, most likely, been stolen.

¹¹ These same steps should be followed for “lost” or “missing” property, i.e., items which, after a diligent search, you cannot find and which you suspect may have been stolen.

APPENDIX

Vehicles

Most readers of this **Users Guide** will not have responsibility for the custody, care, or disposal of City vehicles. Here is a brief treatment of procedures for those who do, and also for elected officials, and the general reader.

The great majority of the vehicles in the City's Fleet are procured through the Equipment Leasing Authority. Each year several departments (most notably, Public Safety and Public Works) submit their vehicle acquisition requests to the ELA which develops a final Vehicle Acquisition Plan for that year. The ELA works cooperatively with operational staff at the departmental levels and OMB's Fleet Procurement Unit on the bidding and purchase of these vehicles.

First Vehicle Services, the City's fleet maintenance contractor, provides periodic preventive maintenance and emergency repairs. FVS gathers and enters extensive data on each acquired City vehicle into its INFOR 10 Fleet Maintenance Reporting System.¹² This FVS data is accessed by OMB's Fixed Asset Manager, who then works with the Procurement Specialist to enter it into the JDE Asset Management Module along with additional information on acquisition cost, accounting class, and equipment class. JDE then assigns a system-generated unique Asset Number for the vehicle.

OMB then works cooperatively with the City Controller's Office which uses this cost data in JDE to prepare Capital Asset values for its Comprehensive Annual Financial Report and also to calculate depreciation on those assets.¹³

Vehicle inventory is a team process conducted by members of the Executive Branch (OMB, Public Works, Public Safety, etc.) and FVS, in accordance with the GFOA recommended procedures outlined in Chapter Three, above.

The most common way a City Vehicle's Life Cycle ends is by sale at a Vehicle Auction. It may also be retired from the Fleet and used for spare parts. In rare instances it might be donated or scrapped. Similar rules and procedures as those outlined in Chapter Four apply. When a City Vehicle is "Decommissioned" (whether for auction, salvage, spare parts, use at a training facility, or some other post-retirement use) that decision is conveyed in writing to the Fixed Asset Manager who reclassifies the vehicle from "current" to "disposed" in the JDE Asset Management Module.

¹² This data includes a brief description of the vehicle, year, make, model, in-service date, City alias (for example, PW-756), PA license plate number, and Serial Number.

¹³ The CAFR provides capital asset valuation not only for Vehicles but also for Land (which is not depreciated) and for Buildings and Improvements, Construction Works in Progress, Capital Leases, Infrastructure, Furniture and Fixtures, and Machinery and Equipment.